



September 2<sup>nd</sup>, 2022

Chinese antitrust.

Review #29 (2022)

## QUOTES

“44% of respondents said that even if China changes its anti-COVID policy, it will take them years to restore entrepreneurial confidence.”

“Companies are facing increased pressure from both [Chinese and US] sides, as a result of which they are adapting their strategies and increasingly separating operations in China and the US. 59% say that if China applies an anti-sanctions law to a foreign company, their head office's confidence in the Chinese market will decrease.

From a survey of 117 US-China Business Council member companies in 2022<sup>1</sup>

## EVENTS

- o China and US sign audit agreement
- o Declaration on the Co-Creation of the Internet Civilization
- o Premier of the State Council: to promote the development of platforms
- o CAC on Enhanced Internet Regulation
- o New measures to attract foreign investment
- o USCBC Poll on Challenges to American Business
- o Meituan will increase the transparency of order information
- o Data Export Security Assessment Reporting Guide
- o Joint campaign between Hangzhou and Amazon

---

<sup>1</sup> Source: [https://www.uschina.org/sites/default/files/uscbc\\_member\\_survey\\_2022.pdf](https://www.uschina.org/sites/default/files/uscbc_member_survey_2022.pdf)

## China and US sign audit agreement

The Chinese and US authorities have reached an agreement on cooperation in the field of audit supervision. Under the terms of the agreement, the Public Company Accounting Oversight Board (PCAOB) has full access to audit work reports, auditors' data and any other information that the Board deems necessary - "without gaps or exceptions." But, as PCAOB Chair Erica Williams points out, it remains to be seen whether "words translate into action." The agreement gives the PCAOB the right to select any companies, auditors and potential violations for review and investigation without consulting or interfering with the Chinese authorities. However, the Chinese reports emphasize the opposite: the parties will agree on a verification plan in advance, and the US will receive documentation through the Chinese regulator. In the Chinese interpretation, the American side is not entitled to independently enter China to check Chinese audit companies and collect the necessary materials.

According to Reuters, citing anonymous sources, in the development of this agreement, US regulators will begin an audit of the largest e-commerce platforms - Alibaba Group and JD.com.

Sources:

<https://baijiahao.baidu.com/s?id=1742333603800374024&wfr=spider&for=pc>

<https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-signs-agreement-with-chinese-authorities-taking-first-step-toward-complete-access-for-pcaob-to-select-inspect-and-investigate-in-china>

<https://www.reuters.com/business/exclusive-us-regulators-vet-alibaba-other-chinese-firms-audits-sources-2022-08-30/>

## Declaration on the Co-Creation of the Internet Civilization

China hosted the Internet Civilization Conference, where the Tianjin Declaration was published, containing six consensus points:

- jointly create an Internet civilization. Cyberspace is home to a people of many millions, and building an Internet civilization is both our common responsibility and an honorable mission entrusted to us by the era.

- strictly indicate the direction. Designate the right political vector, direct public opinion, indicate value orientations. To form an Internet civilization with Chinese characteristics and Chinese style.

- improve the ecology of the Internet. Protect the cyber environment, as we protect nature; purify cyberspace, as we care about the purity of the air.

- to develop an Internet culture, the creators and at the same time the beneficiaries of which we are all.

- regulate Internet practices. Improve information literacy, be guided by "cyber" morality, consistent with socialist values.

- maintain cyber security. Stop dishonest actions, do not distribute "harmful" information and behave in a civilized manner.

According to the People's Daily, as of June this year, the number of Internet users in China has grown to about 1.05 billion, with the country's Internet accessibility reaching 74.4%.

Sources:

[https://m.thepaper.cn/baijiahao\\_19674922](https://m.thepaper.cn/baijiahao_19674922)

<http://russian.people.com.cn/n3/2022/0901/c31516-10142088.html>

Premier of the State Council: to promote the development of platforms

On August 24<sup>th</sup>, Chinese Premier Li Keqiang held an executive meeting where he announced a new package of measures to stabilize the economy. He specifically mentioned the need to support the development and investment in private companies, and promote the healthy and sustainable development of the platform economy. The statement was taken as a new signal to soften the tough stance of the authorities towards digital giants. Earlier in March, State Council Vice Premier Liu He pointed out that it is important, through regulated, transparent and predictable regulation, to confidently advance and quickly complete the elimination of infringements on large digital platforms, promote the stable and healthy development of China's platform economy, and enhance its international competitiveness. On the back of this statement, shares of digital giants rose significantly after a protracted fall in the face of tightening regulation.

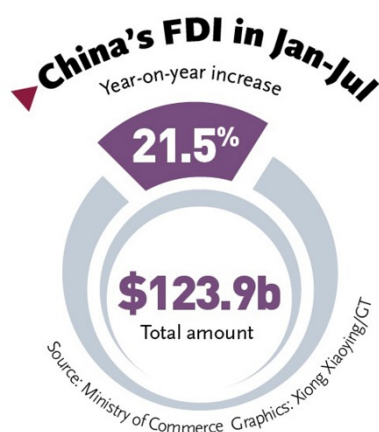
Source: <https://m.gmw.cn/baijia/2022-08/25/35976227.html>

### CAC on Enhanced Internet Regulation

Following the China Internet Civilization Conference, Sheng Ronghua, Deputy Head of the China Cyberspace Administration (CAC), noted the importance of comprehensively strengthening Internet law enforcement. Over the past few years, the Bureau of Internet Law Enforcement and Oversight has been established, and enforcement has increased, especially on issues of high public concern. The agency regularly conducts the "Qinglan" campaign to "clean up" cyberspace, one of the important goals of which is the protection of minors on the Internet. The administration removes "harmful" information, counteracts the formation of Internet addiction in children, educates young users on cybersecurity issues and manages their healthy adulthood. "We say this: for law enforcement on the Internet, you need to grow teeth, and teeth are sharp, in order to <...> create high pressure on organizations, platforms and accounts that seriously violate the law, become a powerful deterrent force for them. We say: if you punish, then so that the hamstrings shake <...> - this is the only way to expose the sharp sword of law enforcement," commented Sheng Ronghua.

Source: <http://www.scio.gov.cn/xwfbh/xwfbfh/wqfbh/47673/48862/wz48864/Document/1729037/1729037.htm>

### New measures to attract foreign investment



Officials from the Chinese Ministry of Commerce announced that they will accelerate the development of new measures to stabilize foreign investment, including revising the list of industries and significant investment fairs. The agency noted that China remains attractive for investment despite rumors of "capital flight" spread by foreign media. It is planned to include more high-tech industries in the list of industries where foreign investment is encouraged. It is also planned to expand the scale of investment in advanced manufacturing, scientific and technological innovation and modern services. "Foreign companies are still quite optimistic about the prospects for investment in China," the ministry said.

Source: <https://www.globaltimes.cn/page/202208/1274233.shtml>

### USCBC Poll on Challenges to American Business

The US-China Business Council (USCBC) surveyed 117 member companies about the key challenges to doing business in China today. Over the past four years, China's

relations with the United States have taken first place, but in 2022, China's anti-epidemic policy came to the fore: companies cannot predict at what point they will be required to temporarily close for quarantine. However, diplomatic relations between the two countries remain an important challenge: Chinese buyers are concerned about access to US technology, which undermines the competitiveness of US companies. Survey participants also noted that they still face high barriers to entry, despite China assuring foreign companies of equal treatment. In addition, new data security and privacy requirements are driving a disproportionate increase in costs.

It is worth noting that the vast majority of companies remain profitable in the Chinese market and continue to recognize the importance of China to their global competitiveness. However, the future of their business depends on the decisions of Chinese and US politicians in the coming months and years.

Source: [https://www.uschina.org/sites/default/files/uscbc\\_member\\_survey\\_2022.pdf](https://www.uschina.org/sites/default/files/uscbc_member_survey_2022.pdf)

### Meituan will increase the transparency of order information

Based on a survey of 6,000 couriers, the service found out that the most common reason for being late does not depend on the deliverers themselves: it is the late delivery of an order by a restaurant, which slows down delivery, couriers receive bad reviews and deliver the next orders in line later. To fix the problem, the platform has developed a special function that can be used to transmit information about the readiness of the order and calculate the expected delivery time to the courier depending on the workload. Based on this data, the courier is also offered a "recommended time of arrival at the restaurant" and planning the best route, taking into account the pickup time. If the delivery of the order is delayed, the courier may request additional time or take another order. Due to the implementation of the program, the waiting time has decreased by 18%. In addition, the time of issuance from the side of the restaurant began to be displayed by the client, which significantly reduced the number of complaints and negative reviews. Meituan said that it is listening with all its might to the views of each of the parties and is trying to improve the algorithms and rules of the platform in order, in particular, to reduce the pressure on couriers.

Source: <https://mp.weixin.qq.com/s/l8txZjbBHH5txrnfkP-XxA>

### Data Export Security Assessment Reporting Guide

The first edition of the Guidelines was prepared by the Cyberspace Administration of the People's Republic of China - the document explains the procedures related to the Data Export Security Assessment Methods, which came into force on September 1, 2022. Security assessments are required for operators of sensitive data and critical information infrastructure, operators that process the data of more than 1 million people, or those who have exported personal data of 100,000 people or sensitive personal data of 10,000 people since January of the previous year. Evaluation materials are submitted to the provincial cyberspace agency, which then forwards them to the national cyberspace administration. The package of documents includes, among other things, an agreement with the recipient of the data and a report on self-assessment of export risks.

Source: [http://www.cac.gov.cn/2022-08/31/c\\_1663568169996202.htm](http://www.cac.gov.cn/2022-08/31/c_1663568169996202.htm)

### Joint campaign between Hangzhou and Amazon

The Hangzhou Comprehensive Cross-Border E-Commerce Pilot Zone, home of Alibaba's headquarters, has partnered with Amazon to launch a program to support

Chinese brands in entering foreign markets. The campaign will target Hangzhou-based brands that have recently opened stores on the Amazon site. The organizers will evaluate the potential of sellers and select 30 of them for targeted support. Participants will complete a training course on preparation for going abroad, receive compensation for registration and marketing costs, etc.

Source: [http://www.hangzhou.gov.cn/art/2022/9/1/art\\_812266\\_59064544.html](http://www.hangzhou.gov.cn/art/2022/9/1/art_812266_59064544.html)