



June 17th, 2022

Chinese antitrust.

Review #20 (2022)

QUOTES

Strict lockdowns and covid restrictions are just some of the factors that led to Airbnb exiting the [Chinese] market, but they are hardly the main ones. The fundamental reason must have to do with the intense competition Airbnb has faced in China's online marketplaces from local companies like Meituan or Ctrip.

Angela Zhang, associate professor of law at the University of Hong Kong, on the reasons why foreign companies are leaving China ¹

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¹ Source: <https://www.scmp.com/tech/big-tech/article/3181275/chinas-hostile-environment-western-tech-pushed-out-amazon-and-airbnb>

Upcoming review of amendments to AMA

On June 16th, at a press conference of the Legal Activities Committee of the National People's Congress Committee, Yang Heqing, head of the Committee's Legislative Planning Department, commented on the draft new version of the PRC Anti-Monopoly Law, which, along with other bills, will be considered from June 21st till 24th. Yang Heqing noted that the draft was drafted in line with the central government's demand to strengthen anti-monopoly measures and prevent disorderly capital expansion, as well as taking into account the peculiarities of competition between digital platforms. It provides an explanation of the application of antitrust laws in the platform economy, both in general and by type of anticompetitive practice. In addition, the articles on "safe harbor" for participants in anticompetitive agreements have been supplemented, the procedure for considering economic concentration transactions that do not fall under the criteria for filing applications, as well as the requirements for considering applications for M&A, has been clarified.

According to the PaRR portal, it is likely that the new version will be adopted and published immediately after this review - without a third reading.

Source: <https://mp.weixin.qq.com/s/PSIVzb3RN4UpPWITVPpkkq>

Personnel changes and disciplinary investigations in SAMR



Luo Wen was appointed party secretary of the State General Administration for Market Regulation. Previously, he served as Vice Minister of Industry and Informatization, Deputy Head of the Development and Reform Committee, and Vice Governor of Sichuan Province.

Prior to him, the post of secretary of the party cell, as well as the post of head of department, was held by Zhang Gong, who was recently promoted to the post of vice mayor of Tianjin. Personnel are being rotated in various state bodies in China: Tang Jun also left the post of deputy head of the regulator in the SAMR structure.

In addition, the National Supervisory Committee of the Central Commission for Discipline Inspection reported that Wu Xinkuang, Director of the Anti-Unfair Competition Division of SAMR's Price Monitoring and Anti-Unfair Competition Division, had been disciplined for serious violation of the law. Details of the charges are not specified.

Sources:

https://www.samr.gov.cn/xw/zj/202206/t20220617_347919.html

https://www.samr.gov.cn/xw/zj/202206/t20220610_347709.html

<https://english.news.cn/20220614/1d88bf48d4ab4d618927eea08282fae2/c.html>

The CNKI database has opened the "anti-plagiarism" function for individuals

Previously, this function was available only to organizations, and individuals had to use unofficial "gray" services. The cost of checking is 1.5 CNY (≈\$0.22) per 1000 characters, and three free checks are provided to graduate students. CNKI declares that it will comply with applicable data handling laws and store downloaded texts on special servers, with subsequent deletion after 30 days.

On May 13th, SAMR announced the launch of an antitrust investigation against China's largest database of scientific articles, China National Knowledge Infrastructure (CNKI). The resource operator Tongfang expressed his willingness to assist in the investigation.

Source: <https://mp.weixin.qq.com/s/2H07Avc0wnif5xbs91yNPA>

DiDi launches OTC trading

On June 13th, shares of the DiDi taxi service began trading on the OTC market. At the same time, the company changed its name from Didi Global to DIDIY. June 10th was DiDi's last day on the New York Stock Exchange, with a capitalization of over \$11 billion.

On May 23rd, the company's shareholders voted for a voluntary delisting from the NYSE. As stated, this is necessary to facilitate the investigation of cybersecurity and eliminate existing violations. Until the completion of the delisting process, DiDi will not list its securities on any other exchanges.

Source: <https://www.globaltimes.cn/page/202206/1267952.shtml>

Foreign companies about the business environment in China

China is making strong openness efforts, but foreign companies often find it difficult to do business in China. This is partly due to the unique needs of local consumers, and partly due to strict regulatory policies. For example, Walmart CEO Doug McMillon noted that "the company's biggest challenges on the international stage have been lockdowns in China, which are putting operational and financial pressure on them." According to the former head of the American Chamber of Commerce in Shanghai, Kenneth Jarrett, the growing role of politics in the Chinese economy creates new uncertainties: "New policies and incidents can appear or happen without any warning."

However, some see the challenging business environment as beneficial: the chief of insurance company Chubb, for example, believes it is necessary to "reaffirm our commitment to a benefit-based perception of economic relations with China." "I deeply believe that when American companies compete and compete in the global marketplace, it makes America stronger," he says.

Sources:

https://www.wsj.com/articles/what-do-chinese-consumers-want-walmart-cant-figure-it-out-11654920060?mod=Searchresults_pos3&page=1

https://www.wsj.com/articles/one-american-ceo-argues-for-mending-fences-with-china-11655155620?mod=Searchresults_pos1&page=1

Updated regulation for mobile apps

The updated Mobile Internet Application Governance Rules will come into effect on August 1st. The Rules state that application providers and application hosting platforms are required to vigorously promote key socialist values, adhere to the right political course and maintain correct public opinion, proactively maintain order, fulfill their social responsibility and maintain the "cleanliness" of cyberspace. They are also required to monitor information content, ensure the security of content and data, and protect minors by guaranteeing cyber security and a healthy cyber environment.

Source: <https://mp.weixin.qq.com/s/H9hyLEH6lrCVFNp0E4zToQ>

The number of users of online payments reached 904 million

According to a report by the China Payments and Clearing Association, the number of users of online payment systems in China reached 904 million at the end of 2021, almost 50 million more than the previous year. This figure is 87.6% of the total number of Internet users in the country. It is noted that the trend towards cashless payments in China covers an increasing number of services - from ordering food to travel in public transport. The association concludes that increased competition in this sector led to a decrease in market concentration last year.

Source: <http://russian.people.com.cn/n3/2022/0616/c31518-10110281.html>

Corporate loans in digital yuan

On June 7, the Suzhou branch of the Agricultural Bank of China issued a 1.5 million yuan (~\$220,000) e-CNY loan to a concrete products manufacturer. The manufacturer used these funds to pay its suppliers. This is China's first bank loan issued for the needs of enterprises in a difficult situation (as part of the program to restore production after the pandemic) in digital yuan. As noted, a loan in digital currency is credited to the account much faster, and no commission was charged when paying to the supplier. Recently, a Chinese company also used the digital yuan to pay taxes, according to SCMP.

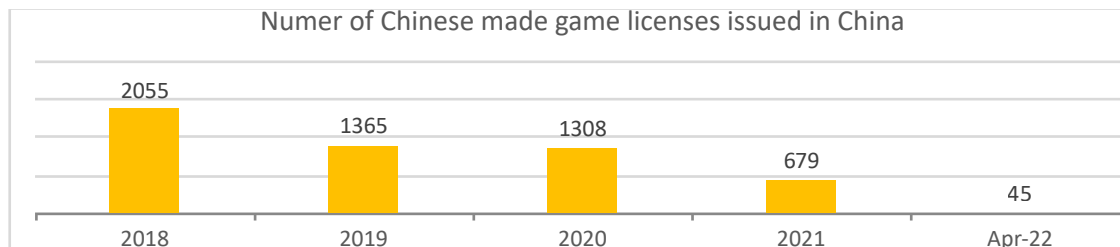
Sources:

<http://www.financeun.com/newsDetail/49542.shtml>

<https://www.scmp.com/tech/big-tech/article/3181809/chinas-digital-currency-e-cny-trials-move-beyond-retail-cover>

Chinese games focus on Europe

According to a report by the research institute of the Chinese information company 36Kr, in the face of tighter regulation in China, Chinese video game developers will target the European and American markets. Chinese regulators have significantly reduced the number of licenses issued, as well as severely limiting the playing time for minors - while the Western gaming industry provides massive space for development. In addition, "going abroad" is supported at the level of both provincial and national authorities.



Source: <https://36kr.com/p/1730940100984066>

150 Chinese companies at risk of delisting

Asia Nikkei reports that already 150 Chinese companies are threatened with delisting from US exchanges if they fail to comply with US audit requirements. The US Securities and Exchange Commission's list of delisting candidates covers about 60% of all Chinese companies listed in the US, including search engine Baidu, and is likely to grow. China has previously refused foreign audits, citing national security risks. Currently, China and the United States are negotiating to develop an audit cooperation mechanism to eliminate the threat of delisting.

Source: <https://asia.nikkei.com/Business/Markets/Nearly-150-U.S.-traded-Chinese-companies-at-risk-of-delisting>

New Chinese professions

The Ministry of Human Resources and Social Security of China has proposed adding 18 new positions to the official list of professions. Now, for public consultations on the agency's website, such professions as engineers and technicians in the fields of robotics and data security, digital solution developers, carbon sequestration assessment specialists, energy efficiency and carbon-neutral construction consultants, etc. are proposed. The specifics of the proposed professions reflect the relevance in China's digitalization and carbon neutrality agenda.

Sources:

<https://english.news.cn/20220615/dec829fd2f1946c0a9d3990ba395f51e/c.html>

http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyaowen/rsxw/202206/t20220614_453529.html