MAY 25
Gadjo Sevilla

China backtracks on foreign stock listing restrictions

Article

The news: Beijing has announced that it will once more allow "platform companies"—the term it associates with Big Tech—to list in overseas stock markets as a means to pump up an idling economy, per The Register.

Why it's worth watching: The dramatic change in strategy encourages China's Big Tech companies to list on "domestic and overseas markets in accordance with laws and regulations," per **Premier Li Keqiang**, who made the announcement during an executive meeting of **China's State Council**.

- The statement comes a week after **Vice Premier Liu He** advocated for collaboration between China's tech sector and the government to open to "the outside world."
- Earlier this month, China paused regulations on Big Tech to counteract mounting economic losses due to pandemic-related factory closures and a five-month low in manufacturing.
- The new initiatives are in stark contrast to Beijing's directives surrounding Big Tech.
- In context, the **Cyberspace Administration of China** (CAC) investigated ride-hailing service **Didi** in July, two days after its US IPO. Resulting penalties, and the **removal of 25 Didi mobile apps** from Chinese app stores, ended in Didi losing market value behind a plunging stock price.
- Didi later announced that it had advised the NYSE to **proceed with delisting** after a shareholder vote with more than 96% in favor of delisting, per the South China Morning Post.
- The news of loosening controls in early May had an immediate effect: **Chinese technology stocks jumped by double-digit percentages**, per Bloomberg.

The problem: For some, Beijing's change of tune comes too late. While China has temporarily opened up the possibility to list overseas, Chinese companies might remain skeptical. Constant government involvement in Big Tech companies, their business practices, and how they attract or repel overseas investors is taking a considerable toll.

- Didi has been gutted by the regulatory penalties, with its shares plunging 90%, or a **loss of $60 billion in value** since it released its NYSE IPO in June.
- Further, Beijing denied Didi permission to float its shares in Hong Kong, per Fortune. The company cannot apply to list in another public market until Beijing says it has completed its rectification measures, Didi said.

Uninvestable: Beijing's backtracking exposes a lack of long-term focus in China that could continue to rock investor confidence since it seems Big Tech regulation can be switched on or off at the government's whim.

- Some investors have gone as far as to call parts of China uninvestable, per The Washington Post.

- In context, when **JPMorgan Chase** analysts this year downgraded Chinese stocks, their report resulted in **$200 billion** erased **from U.S. and Asian markets**.