

Didi crackdown a sign of regulator reprisal coming to China's Big Tech

Article

The news: Two days after its US IPO, ride-hailing service **Didi Chuxing** was investigated by the **Cyberspace Administration of China (CAC)**. Regulators claimed serious violations of collection and usage of personal information and **ordered the removal of apps** from Chinese App stores, [per](#) The Economist. Didi, which is the [biggest](#) ride-hailing service in China with half

a billion users, said it had stopped registering new users and would [adhere](#) to data protection rules.

Shares of Didi fell as much as **30%** as trading opened at the NYSE yesterday, [wiping out](#) \$22 billion of market value and driving the stock down below its \$14 IPO price.

More on this: The Chinese government's accelerated [crackdown](#) on its biggest tech firms has resulted in **\$42 billion** in losses for Nasdaq's Golden Dragon China Index, [per](#) The Edge Markets. Continuing regulator reprisal may force Chinese Big Tech firms seeking IPOs to postpone their plans, or go public in **Hong Kong, Shanghai, or Shenzhen exchanges** instead.

"The Chinese government's tactics appear to have the twin purposes of keeping its corporate leaders in check while also making sure the investor pain lands primarily in the US more so than China," [said](#) **Michael O'Rourke**, chief market strategist at JonesTrading.

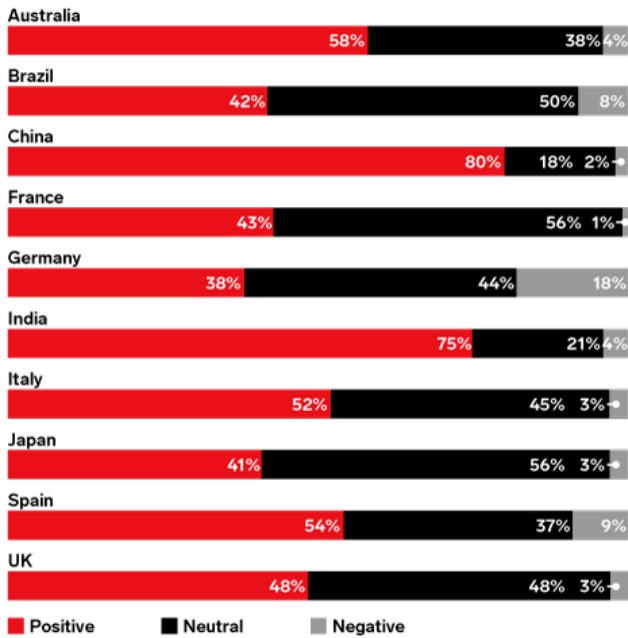
- Chinese regulators [derailed](#) the IPO plans of finance leader **Ant Group** in November last year.
- In March, Chinese President **Xi Jinping** called on [the need](#) to **regulate** "platform companies," or online services, to maintain social stability.
- **Alibaba** in April received a record **\$2.8 billion** [fine](#) after an **antitrust** probe revealed it had abused market dominance.

Why it matters: China's **State Council** said it will improve laws on data security, cross-border data flow, and management of confidential information. In addition, the council said it is increasing supervision and revising rules for overseas listings of Chinese companies, [per](#) Yahoo Finance. [Enforcing](#) strict privacy and data sovereignty laws can [rein in](#) the power of Big Tech companies.

Like many of its competitors, Didi grew to be a tech giant without comprehensive government oversight, until now. By pursuing a US IPO, Didi [sidestepped](#) an extensive approval process by China's securities regulator during a time when the Chinese government is pushing for firms to raise funds in local markets.

Sentiment of Consumers in Select Countries Toward the Impact of Privacy Laws, June 2020

% of respondents



Note: among respondents ages 18+ who are aware of the regulation; read chart as 48% of UK consumers believe GDPR has had a positive impact; numbers may not add up to 100% due to rounding
 Source: Cisco, "Consumer Privacy Survey," Oct 21, 2020

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