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Chinese regulators are fining Alibaba a record $2.8B to limit tech giant market dominance

Article

Chinese regulators have a warning for dozens of its largest tech firms: stop anti-competitive business practices in the next month or face the same fate as the recently fined Alibaba. The announcement—targeting 34 of China's largest internet companies, like Baidu and Tencent—emphasized regulators' purported commitment to snuff out abuses of information and market dominance, among other anti-monopolist violations, per Yahoo News. The news comes as the dust settles from a record-breaking $2.8 billion fine levied against Alibaba earlier this week for allegedly forcing exclusivity and acquisitions without prior authorizations. That fine was based on 4% of Alibaba's 2019 domestic revenues and is worth around 12% of the company's fiscal 2020 net income, per Bloomberg. Although that's significant, it's less than what some had predicted.

The Alibaba fine and recent regulator warnings are the cumulations of a quickly escalating antitrust movement that picked up steam last year.

- Late last year, Chinese officials halted internet finance behemoth Ant Group's listing on the Shanghai stock exchange—which would have been the biggest IPO in history, at an estimated $34 billion—citing "major issues" related to disclosure, per NPR.
- Tencent was fined $77,000 last month for its 2018 investment in online education app Yuanfudao.
- Baidu was also fined $77,000 around the same time for its 2014 takeover of consumer electronics maker Ainemo.
- Shopping giant Meituan received a $230,000 fine last month for "improper pricing behavior."
- This week, regulators forced Ant Group to overhaul its business and turn itself into a financial holding firm, which will likely derail its profitability and valuation, according to Reuters.

China's recent antitrust interest marks a stark departure from its earlier stance of favoring tech industry growth. China issued its first major set of anti-monopoly laws in 2009, but regulators were wary of enforcing them against the nation's then-burgeoning tech companies, opting instead for a laissez-faire approach that provided companies ample room to grow and reach maturity. That's changing now that these firms have grown exceedingly powerful. In February, China's State Administration for Market Regulation formalized new anti-monopoly rules aimed at preventing companies from price-fixing, restricting technologies, and using algorithms to manipulate markets, per Reuters

Chinese tech firms will likely rapidly reevaluate their business practices in the next month to avoid suffering Alibaba's fate. Less than 24 hours after Chinese regulators issued its warning, ByteDance, Meituan, and 10 other major Chinese tech companies all pledged they would comply with anti-monopoly rules. More business changes are likely to follow, according to

Insider Intelligence senior researcher Man-Chung Cheung. "With the recent fine on Alibaba and warning toward the 34 tech firms, I expect prompt and concrete changes to their business practices vis-à-vis antitrust practices laid out by regulators, including such violations as forcing brands to sell exclusively on their platforms, completing acquisitions without prior government approval, and other predatory pricing practices," Cheung said. "When Chinese regulators announce such mandates, changes can and have to happen in a hurry. There are no questions asked."