

Where China's Big Tech antitrust crackdown is headed next

Article

The news: Chinese President **Xi Jinping** said Beijing's antitrust campaign, designed to "prevent the irrational expansion of capital" and address "barbarous growth" in China's technology sector, is yielding results, per the South China Morning Post.

How we got here: China produces billionaires faster than any other country, but there is widening public dissatisfaction with the resulting income disparity.

- In March, Xi stressed **the need** to **regulate** "platform companies," or online services, to maintain social stability.
- Chinese regulators have targeted various tech giants since. The barrage of regulations has confounded investors, who are left guessing where Chinese regulators will strike next.
- Xi said this week the Communist Party must do more to "guide and supervise" the country's businesses with clear rules, effective regulations, and greater policy transparency.
- In response, China revealed plans on Tuesday to **tighten** oversight of ecommerce giants **Alibaba** and **Pinduoduo** as well regarding alleged intellectual property violations, ostensibly to curb the sale of counterfeit goods on their online platforms.

Why it's worth watching: Beijing's intensifying crackdown on Big Tech companies erased \$1 trillion in value from Chinese stocks this year alone. Continued regulatory tightening could stifle expansion into foreign markets—as evidenced by the fallout following Chinese ride-sharing service Didi Chuxing's US IPO this summer.

- Roughly \$22 billion of Didi's market value was **wiped out** in July after Chinese regulators removed its apps from app stores, citing data collection violations.
- Chinese regulators also **derailed** the IPO plans of finance leader **Ant Group** in November last year.

What's next? China's monolithic technology companies have thrived and expanded mostly because they were left unregulated. The sudden wave of government scrutiny could force changes to how China's Big Tech companies conduct their business going forward. This could lead to some innovation stagnation, as well as a cautious outlook from investors and overseas partners.

Top 5 Companies in China and the US, Ranked by Retail Ecommerce Sales, 2020

billions

China*

1. Alibaba	\$1,170.47
2. JD.com	\$357.74
3. Pinduoduo	\$218.54
4. Suning	\$36.35
5. vip.com	\$20.74

US**

1. Amazon	\$269.41
2. Walmart	\$41.01
3. eBay	\$31.65
4. Apple	\$24.83
5. The Home Depot	\$13.38

*Note: includes products or services ordered using the internet (browser or app) via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets; in-country sales only; *excludes Hong Kong; **gross value*
Source: eMarketer, May 2020

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