The Chinese State and Chinese Tech Giants: A race for technological influence? The Chinese Anti-Monopoly Law and Chinese Platform Companies

Gorter, Jennifer

JULY 1, 2022

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Leiden University. Faculty of Humanities
MA Asian studies: Politics, Society and Economy of Asia
Author: J.S. (Jennifer) Gorter
S2979349 – j.s.gorter@umail.leidenuniv.nl
Supervisor: R.J.E.H. Creemers
Word count: 13250

List of Abbreviations

AML	Anti-Monopoly Law
CPC	Communist Party of China
CPCCC	Communist Party of China Central Committee
IP	Intellectual Property
MIC	Made in China
MLP	Medium and Long-Term Plan
NIDDS	National Innovation-Driven Development Strategy
PRC	People's Republic of China
SEIs	Strategic Emerging Industries
SAMR	State Administration for Market Regulation

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Introduction

In recent years China's economy became the second largest in the world. Although the academic sphere is not always optimistic about China's continued growth potential, it generally argues that the Chinese state increased its technological focus as its economic growth strategy (Peng 2015, Schneider-Petsinger et. al 2019, Kennedy 2018, Kennedy and Lim 2018,). These debates are often put in an international light. Naughton (2020, 51) points out that the Chinese state developed an ambitious plan that introduces new industrial policies to develop its economy as a high-tech one. A program that he calls the ''grand steerage''. This strategic change could either enhance a successful or a failing transition to a developed country. Macro-economic policies are useful government tools to implement its agenda and direct its domestic industries. When assuming that the Chinese government increased focus on the high-tech industries, it is plausible that macro-economic policies are implemented to achieve economic growth and overcome domestic problems.

Last year Chinese tech giants faced strengthening regulations. It is said that the Chinese state increased Antitrust enforcement towards tech in particular because large players destroy market order (Crowell and Moring 2021). Bloomberg (2021) reported that the State Administration for Market Regulation (SAMR) started to warn companies for abusing market dominance and information. In 2021, Bilibili, Tencent, Alibaba, Baidu, Didi Chuxing, and Softbank received fines for not reporting business deals (South China Morning Post 2021, Reuters 2021). Alibaba got a $2.8 billion fine for forcing exclusivity by restricting vendors to sell on different platforms (Crowell and Moring 2021). The State Administration for Market Regulation (SAMR) warned 34 other companies (Bloomberg, 2021). Although this initially appears as market regulating measures for large Chinese tech companies, these regulations have a macro-economic policy nature. Chinese law expert Angela Zhang (2021) argues that the Antitrust enforcement in the People's Republic of China (PRC) goes beyond correcting companies from unfair market practices because the PRC's Antitrust Law is linked to its economic policies (Promarket 2021). Angela Zhang's (2021), perspective made me wonder if the Antitrust regulations to Chinese Internet Tech Giants contribute to China's technological economic development path. This thesis firstly argues that there is a link between China's industrial policies and

the Antitrust Laws. Secondly, the Chinese Antitrust Law is mainly targeted at Chinese Tech Platform companies. Finally, the Antitrust Laws are a strong mechanism to control the Platform companies and guide them in the government's economic and technological interests.

I start with the theories and methods. I do a policy analysis on China's industrial policies to determine its economic development path in chapter one. After that, I analyze the Chinese Antitrust regulations and their relation to this economic development path (chapter 2). And I finish with a case study on Tencent and Alibaba to see this relation in effect.

Theories and methods

This thesis investigates to what extent Antitrust regulations on Chinese Internet giants by the Chinese state are contributing to China's technological economic development trajectory. I first explain the key concepts of this research question; antitrust regulations and Chinese Internet Giants.

Antitrust regulations were first adopted in the United States. In the 1890s the Sherman Act passed and was followed by two other Antitrust Acts. The main objective of antitrust however never changed. These laws intend to protect the consumers from competition races between companies. It makes sure that businesses maintain low prices, high-quality goods or services, and operate efficiently (Federal Trade Commission, 2022). In other words, antitrust regulations ''protect the process of competition for the benefit of consumers (Federal Trade Commission, 2022)'' Chapter 2 elaborates on the objectives of the Antitrust regulations in detail and largely zooms in on the Antitrust regulations in China.

In the last decades, the telecommunications and Internet infrastructure in China upgraded and accelerated Internet development and the number of Internet users. The Chinese state gradually added more market elements to its economy and joined the WTO which enhanced the transition to a (mixed) market economy. The ''Great Firewall'' simultaneously protected the Chinese Internet (Jia and Winseck 2018). Chinese Internet Giants emerged in the last decades as a result of these events. In this thesis, I consider Chinese companies that work in the Internet industry, that have outstanding revenues

and market shares within the Chinese market, and operate on a global level; Chinese Internet Giants. The BAT companies are the most well-known Chinese Internet Giants (Baidu, Alibaba, and Tencent), although we have recently considered ByteDance another globally famous player.

In the academic sphere, the BAT companies are discussed on several levels. Jia and Winseck (2018) argue that the dynamic between internet companies, the State, and international finance capital drives the development of the Internet in China. The BAT companies play a prominent role in this process. Besides that, Jia and Winseck (2018) hold a critical view on the conventional perception that the Chinese State ''created'' these Internet Giants or national champions to challenge American Internet Giants (Facebook, Google, Amazon). Chinese Internet Giants, just like ''Western'' Internet Giants are considered capitalist enterprises that are linked to foreign investors, international investment banks, and venture capital funds (ibid).
Yin and Li (2020) researched the dynamics between the government, institutions, and Internet companies. And explored how governmental involvement and the institutional environment can contribute to the globalization of the Chinese Internet. Yin and Li (2020) argue that the Chinese State has two involvement options to do so. Firstly, through state ownership and secondly through government affiliation.
Creemers (2018) analyses the relationship between private Internet companies and the Chinese state from a different angle. Unlike Yin and Li (2020) and Jia and Winseck (2018), Creemers (2018) moves away from the international perspective in which Chinese Internet Giants are analyzed. He claims that the Chinese State uses certain assets of these Internet businesses to overcome domestic problems.

In the academic literature, it is common to analyze Chinese Internet Giants from international perspectives. Research on Chinese Internet Giants in relation to the domestic problems within China is underrepresented. Last year global news headlines were filled with the buzzword ''Crackdown'' – which signified the strengthening regulations from the Chinese state on Chinese Tech firms. These regulations entailed increased antitrust investigations and fines. It is speculated that antitrust regulations in China do not only try to protect the consumer and prevent cooperation from unfair practices but also contribute to the Chinese State's trade policy (Promarket 2021).

Although antitrust regulations have been analyzed in China before 2022 (Ng 2017, Wang 2014, Harris 2011), academic research on these contemporary events remains scarce (Zhang 2021, Marco Colino 2022).

The aim of this thesis is therefore to conduct new research on the antitrust regulations in China. It investigates whether these regulations are implemented to overcome domestic issues or if it contributes to China's high-tech economic development path.
I, therefore, start with a policy analysis on the technological focus of the Chinese state. The policy analysis illustrates what the Chinese state's goals are to become successful in this field. I collect data from government policy reports, statements of government officials, academic literature, and newsletters on China's technological priorities. I use interpretative methods to create a clear picture of the Chinese State's technological focus. This means that I consult previous policy analyses or policy commentary in newsletters to get a better understanding of the interpretation of policies, instead of only assessing primary policy documents and giving my judgment.

After the policy analysis, I provide an overview of what the antitrust law is and how it works in China. This part of the thesis highlights the goals of the antitrust regulations and how it relates to Chinese Internet companies. I am not a legal expert, so I rely on previous academic research on antitrust laws, analyses made by law firms, and law expert commentary. Digital China-related news sources also commented on the ongoing antitrust events in China and are another useful source for my research. This combination of sources allows me to interpret the antitrust laws not only in their purpose but also in their practical effect.

To then sketch a clearer picture of these effects of the anti-trust laws in practice, I carry out case studies on selected Chinese Internet Tech companies. It is not uncommon in the academic field to carry out case studies on giant Chinese Internet Tech companies. Case studies on Alibaba, Tencent, Baidu, Xiaomi, and Huawei are mainly presented.
In 2018, Jia and Winseck analyzed the BAT companies Baidu, Alibaba, and Tencent. In their case studies they looked at profit levels, mergers and acquisitions, debt analysis, how the market of the Chinese Internet economy is structured, and finally how domestic and international financial capital can impact the BAT companies' operations, control, and ownership form. Case studies on Chinese Internet Tech companies in relation to the anti-

trust laws are a relatively new element to consider in the academic field. I do however think that case studies are useful to illustrate how anti-trust laws have an impact on the operations of Chinese Internet Tech Giants. I carry out two case studies in this thesis, which I selected based on received antitrust investigations and fines. The first case study is on Tencent and the second is on Alibaba.

I collect my data from primary company sources such as Annual reports. Companies communicate their yearly performance, future outlooks, and financial performance to their shareholders in Annual reports. Besides that, the company notifies its shareholders of potential internal and external risks for the company's operations, performance, or strategy. Not only does a company inform its shareholders on an annual basis, but also on a quarterly and half-year basis.
In the case studies, I cover

(1) The general company information
(2) The details of the antitrust fines and investigations the company received
(3) The impact of the antitrust fines on the operations of the company

(1) I receive the general company information from the company's Annual report.
(2) I receive the details of the Antitrust fines in Annual reports and commentary of the State Anti-Monopoly Bureau of the PRC.
(3) I determine the impact of the Antitrust fines on the operations of the company through (1) Revenue and profit analysis (2) Statements of the company about the fines and (3) The strategic changes the company made after the antitrust fines and investigations. The Annual reports provide this information.

The conclusion section brings all the findings together. It detects if there is a linkage between the Chinese State's technological development path and the direction in which the operations of these companies are moving as a result of the antitrust regulations and fines. I connect the policy analysis with the findings of the anti-trust law and the impact the law has on these Chinese Internet tech firms (Alibaba, Tencent). The thesis is therefore structured in that order. I start with policy analysis in chapter 1. After that, I provide a chapter on antitrust laws and their aims. I do two case studies on Chinese Internet Giants in Chapter 3 and finish with the conclusion.

I. China's industrialization policy

China's economic setup

Over the past decades, China became a global player in the world's economy. This thesis analyzes China's contemporary economic development and implemented policies after the opening-up phase of the late 1970s. In 1978 China had the right circumstances to lead economic development (Naughton 2018, 3). Naughton (2018) points out that four factors contribute to China's economic performance. First of all, it's human resources. China's working class has an eagerness to learn, a desire to succeed and achieve, and an entrepreneurial drive (2018, 3). In the late 1970s, the majority of the population was healthy and literate, which created favorable conditions for successful economic reforms. Secondly, China's low costs and high-quality human resources were what the global economy needed to outsource manufacturing products. Many countries then relocated labor-intensive manufacturing to China. Thirdly, a large catch-up potential. A country attracts investment if it has both economic potential and human resources. These investments bring not only money but also technological know-how. Because of this, China was able to develop on technological levels notably in the transmission of telecommunications and Internet technology. Finally, the Chinese government played an important role in economic performance. In the late 1970s, the government gradually implemented economic reform. The reform program was incremental and adaptive, in which along the way new institutions were developed, that changed the command economy into a mixed market economy (Naughton 2018, 3).

A large stream of foreign investment entered the country when China opened up. In 1992 it started to become the world's largest recipient of foreign investment. During that time each local government had its policies to deal with foreign investment, next to the national policies. The national policies gave privileges to international firms instead of their domestic firms. As a result, the private sector in Shanghai for instance was overruled by foreign competitors. In other places, domestic private and state-owned enterprises also faced unfair competition practices from Foreign-invested companies operating under the capitalist system. This situation asked for a response from the national government and was one of the reasons for the State to create a new national industrial policy (Pieke 2016,

60). To move away from the command economy, the Chinese state made strategic choices to deregulate its economy. In some sectors, foreign competition was allowed next to the domestic private enterprises. In other sectors, reregulation happened which created giant state-owned enterprises (Pieke 2016, 61). This research later touches upon the problems that arose from the diverse capital structure in the PRC.

Will China's economy continue to grow?

After the opening up area, the Chinese economy flourished because of decent policies, strong leadership, and good fortune. These three factors should no longer be taken for granted to create a strong economy (Fingar and Oi 2020, 8). Academics, journalists, and policymakers often speculate about China's future. They predict whether China can sustain its growth rates, its economic power position over the United States, and become a leader in the global system. Opinions are divided into two camps. The first camp thinks China's economic development is a miracle that cannot be tamed. The other camp is more pessimistic and argues that economic growth was a lucky shot and is not sustainable in the long run because of the contradictions in China's economic system (Fingar and Oi 2020, 1). Although it is difficult to predict China's future, the future is likely to be determined by how China's leaders address interconnected demographic, social, economic, political, and foreign policy challenges (Fingar and Oi 2020). China's future transition depends on Institutions and the Instruments of governance, the choices of the domestic policymakers, their constraints, and external factors (Fingar and Oi 2020, 15). How then do Chinese policymakers ensure sustainable economic growth in practice? Is it true that the focus on technological development provides the solution?

Strategic change after the growth miracle

According to Naughton (2020, 51), we should start from the year 2010, while speculating about China's future economic growth. China's miracle growth phase ended then. The country's annual economic growth rates decreased from 10 percent to 6.4 to 6.9 percent in the years after. Based on the economic factors; labor, capital, and productivity, Naughton (2020) expects the growth rates to become closer to 4 percent annually. The decline in economic growth poses political and social challenges. For Chinese leaders that have set high ambitions – doubling its GDP by 2020 compared to 2010, declining GDP

growth rates are a hard pill to swallow. The underlying motive for rapid economic growth rates is found in the Chinese leader's goal to transition China's economy into a high-tech one. From 2005 onwards, Chinese leaders started adding industrial policy initiatives (2020, 51). Let's have a closer look at China's industrial policies to see whether the State increased its technological focus to transition its economic development path.

Industrial policy initiatives

Medium and Long-Range Plan for Science and Technology (MLP)

Before 2002, the Chinese State made long-term plans (guihua). In these plans, budgets were allocated to achieve broad objectives. These plans did not specify concrete goals. Accumulated planning initiatives are added to the long-term plans. More policy initiatives arose after 2005. Naughton (2020, 54) divides the initiatives into three groups: urban reconstruction, infrastructure plans, and techno-industrial policies. The techno-industrial policies are the most relevant for this thesis and therefore the main focus. The Chinese government launched the Medium and Long-Term Plan (MLP) for the Science and Technology Department in 2006. The government started funding large-scale techno-related projects. These projects required long-term research and development funds. Government entities performed these megaprojects and not private actors. Supported projects were in the aero industry, space flights, mobile broadband telecom, and pollution control among others. For a wide range of industries, also sector-related policies emerged. This gradually happened after the start of megaprojects funding (Naughton 2020, 54–5).

Strategic Emerging Industries (SEI)

In 2010, the government defined Strategic Emerging Industries (SEIs). The SEIs were a total of twenty industries, divided into 7 categories. The seven categories are new energy vehicles, new materials, new energy, biotechnology, energy conservation and environmental protection, precision and high-end machinery such as satellites and applications, and finally next-generation information technology. Next-generation Internet, high-end software and information services, and core-electronic components are sub-divided sectors of the main category of next-generation information technology. Chinese leaders selected the sectors on their projection of the future importance of these sectors and because of their global competitive advantages. Some sectors contain

qualitative elements which other countries have not been able to master (Naughton 2018, 381). All these sectors became privileged sectors and therefore received priority subsidies. Preferential policies were also drawn up for the strategic emerging industries. Mainly private companies received this governmental support, and the government encouraged businesses to invest in these sectors. The SEI initiatives were a top-down approach from the government to compose the market and give it direction. Although the initiatives were already discussed in 2009, this was only officially recorded in 2012 (Naughton 2020, 54–5, Naughton 2018, 380).

Innovation Driven Development Strategy (IDDS)

Finally, there is the Innovation-Driven Development Strategy (IDDS). This is a set of new industrial policies from 2015 to 2017. Examples of these new policies are Made in China 2025 (MIC), Internet Plus, Artificial Intelligence, and the Military-Civilian Fusion (Naughton 2018, 56). These are all sector-related policies. Policy initiatives are included in China's China's Five-Year Plans (FYP). FYPs can be viewed as a document in which all initiatives and policies are glued together in a coherent framework. Initiatives need to be approved before they are added to an FYP (2018, 56). Knowing that, makes the Five-Year Plans relevant documents to analyze because it shows the approved initiatives and governmental focus for the five years ahead. In 2016, the Central Committee and the State Council issued the National-Innovation Driven-Development Outline, which stated that technological innovation should be the focal point of national development (NIDDS, 2016). This should not only improve the social productivity but also the strength of China. China's modern backwardness is contributed to missed scientific and technological revolutions. According to this outline, innovation will create a competitive advantage that is crucial in the world's competitive playing field where countries seek strong national power. China's current growth model is not sustainable for the long term as it entered the stage of a new normal. Innovation should drive China's growth engine.

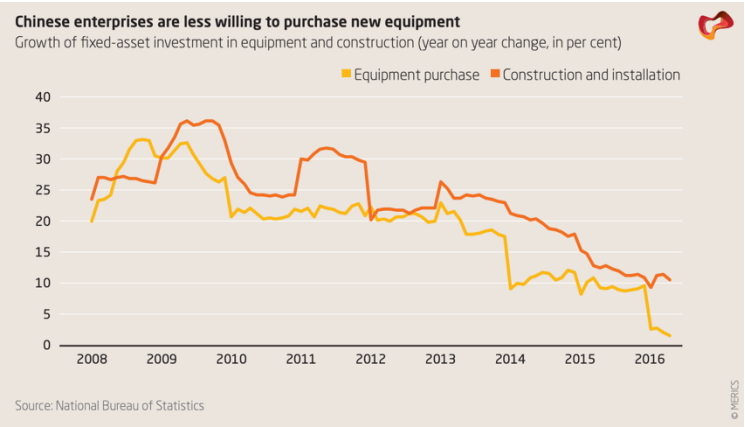
Another problem is that many sectors do not score high in the global value chain. Developed countries are leading in core technologies. The new development path should include talents, core technologies, well-developed industries, a strong economy, and a strong country (NIDDS, 2016).

Made in China 2025

In 2015, the Chinese government added new industrial policies, among which the Made in China 2025 and Internet Plus (Naughton 2018, 382). I have limited my research to these two industrial policies. The Made in China 2025 is a well-bespoken policy in the international sphere. This industrial policy aims to develop the smart manufacturing industry in China. China – the globally recognized manufacturer of the world-, faces 'double pressure'. On one hand, China's manufacturing industry is not competitive enough compared to other industrial countries. On the other hand, developing countries start offering manufacturing services for cheaper labor (Wubbeke et. al 2016, 16). This stuck-in-the-middle position forced Chinese leaders to take action. Prime Minister Li Keqiang pointed out that the transition toward smart manufacturing is crucial because the manufacturing industry remains one of China's economic drivers. The Made in China 2025 is a policy that should challenge leading industrial countries such as Japan and Germany. The aim is then also to become a leading ''Manufacturing Superpower''. To achieve this, modern production facilities need to be built to achieve higher production levels and increase the quality of the products (Wubbeke et. al 2016, 16). Wage levels increased in China over the past few years. Companies that outsourced their manufacturing to China then relocated production to cheaper laboring countries in Southeast Asia. Next to that, foreign companies relocated production to industrial countries: Germany and the United States built highly automated factories. To catch up with the technological development, Chinese leaders push for more automation and digitization in the manufacturing industry (ibid). The made in China 2025 plan comes with concrete plans and objectives for the years ahead, links previous industrial policies, and targets different industries. Chinese leaders have set up an institutional framework to implement this plan, in which it becomes evident that this policy has high political importance (figure 1). New-generation information technology, high-end robots and machines, energy equipment, agricultural machines, biopharma, medical devices, transportation equipment, new materials, space and aviation, and maritime equipment are targeted technologies (Wubbeke et. al 2016, 19). The plan aims for a complete production technology improvement in the manufacturing industry and is thus appliable for state-owned and private companies. This entails advanced IT, the use of industrial robots, and smart factories (2016, 17).

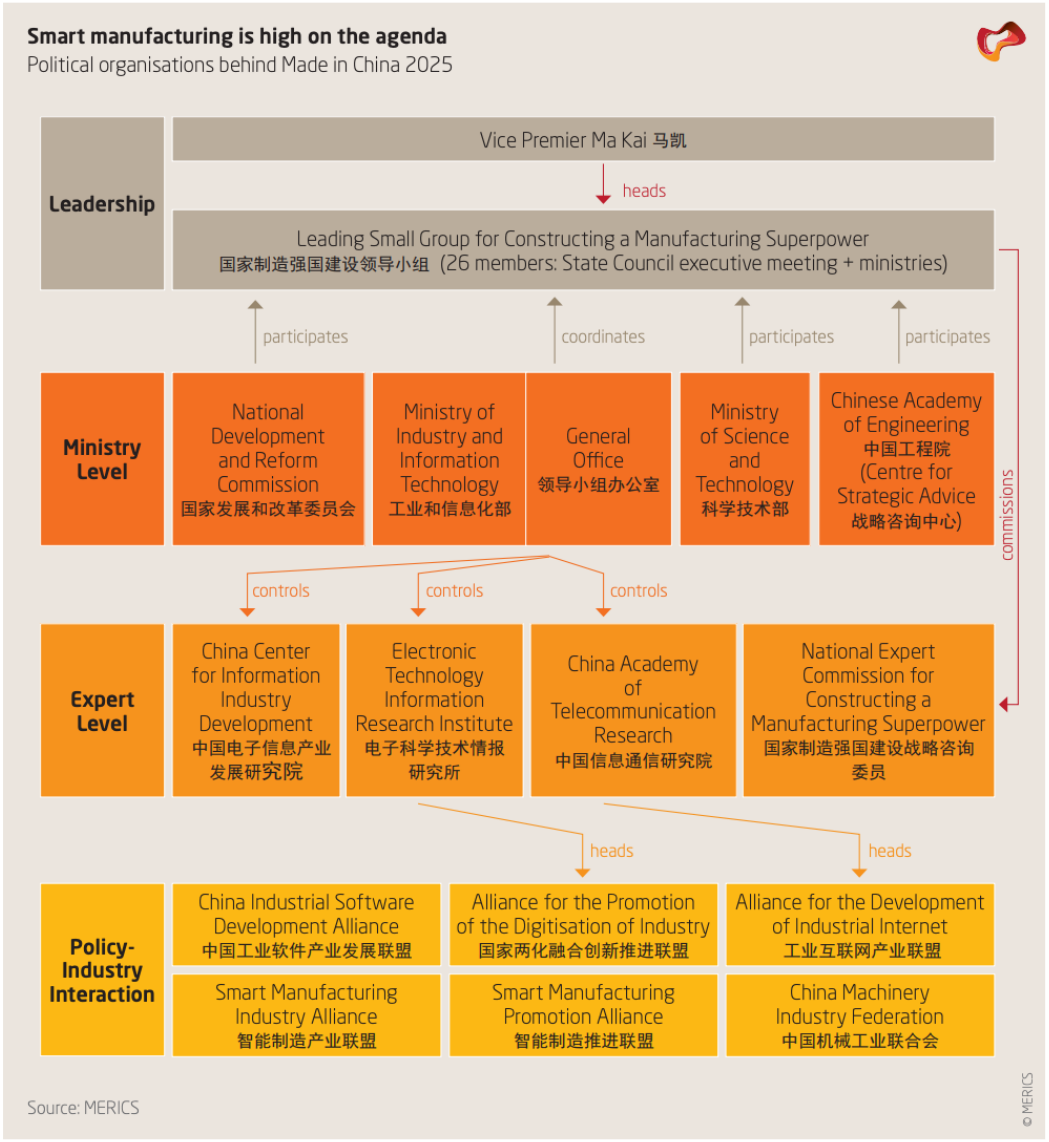
When the Made in China 2025 plan was just introduced it was difficult to determine its effectiveness. In 2016, Wubbeke et. al (22–8), pointed out possible weaknesses of the policy which I will discuss two. First of all, China's economic growth has been declining after its miracle growth stage. As a result of this, companies' willingness to invest in new technologies to upgrade the business declined. The investment in fixed assets: equipment and construction deteriorated from 2008 to 2016 (graph 1). This would make it hard to believe that companies out of a sudden would increase investment levels to become ''smart manufacturers'' and contribute to the industrial upgrade. Another problem is the lack of a skilled labor force in China. Whether this is for automation or IT-based processes, China lacks workers that know how to implement industrial upgrading. This problem derives from the PRC's educational system, which fails to attract enough students to pursue a career in the high-tech industry (2016, 27). Changing the educational system is not an easily-fixed problem. This takes time and effort from both the Universities and the government. The companies' willingness to invest and the lack of skilled labor could dimmish the policy's effectiveness. These are two crucial points to becoming a 'smart manufacturer'

Graph 1:



Source retrieved from Merics 2016, page 26

Figure 1 - Institutional Framework for the Made in China 2025 policy

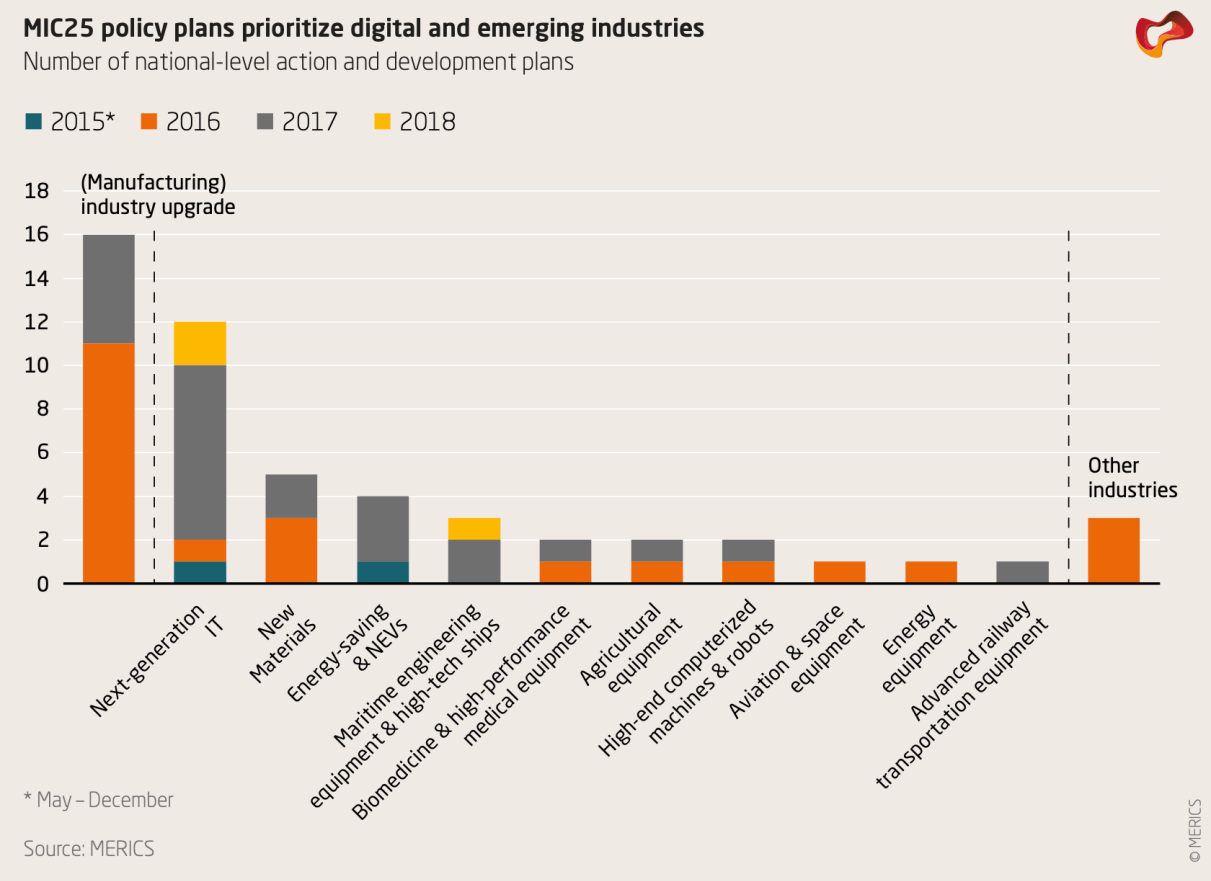


Source retrieved from: MERICS 2016, page 18

Coincidently or not, a few years after the implementation of the Made in China 2025 plan, the priorities started to shift. Made in China 2025 should be viewed as a guiding plan instead of a plan that does not allow changes. Strategies are adjusted continuously, but the long-term objectives remained the same (Zenglein and Holzmann 2019, 20). In 2016, the number of national action and development plans for the 10 prioritized industries was almost evenly divided (figure 2). New materials received the majority of development plans. In the year after, 10 national action and development plans were devoted to the Next-generation IT sector. Although it must be noted that development plans that were implemented in the years before did not necessarily disappear. The vast majority of the

total number of plans went to the digital and high-tech industries. The Chinese leaders prioritized their efforts in upgrading the country's digital and high-tech development trajectory, as noted by the increased actions and development plans (Zenglein and Holzmann 2019, 21). This shift in focus also became evident in another industrial policy. The Industry Plus policy is discussed in the next section.

Figure 2 – MIC25 Policy priority plans



Source: MERICS 2019, page 21

Internet Plus Strategy

Next to the Made in China 2025 strategy, the Chinese government launched the Internet Plus strategy. The goal of this strategy is to digitalize the Chinese economy and society in different public areas such as education, finance, health, transport, and industrial production (Wubbeke et. al 2016, 19). In 2015, Premier Li Keqiang stated that the Internet Plus strategy could be a new engine for economic development. Next to that, it offers opportunities for economic transformation (Premier Li Keqiang, 2015). The integration

of the Internet in traditional industries should shift the focus from consumption industries to the manufacturing industry (Xinhua 2015).

The Internet Plus Strategy must link traditional industries with digital industries such as cloud computing, big data, mobile Internet, and the Internet of Things (IoT) (Wang et. al 2016, 2). Wang et. al (2016, 2) state that the Internet Plus is a plan that should next to developing the economy, increase the livelihood of the people, and transform government functions. Chinese Internet companies are involved in drafting the Internet Plus Strategy, which makes this strategy more of a bottom-up policy than the Made in China 2025 strategy (Wubbeke et. al, 2016, 19). Premier Li Keqiang mentioned that fair competition and reducing entry barriers are important elements in the Internet Plus plan to promote the development of industries (Li Keqiang 2015). Besides that, the government has an important role in the supervision of the Internet Plus environment. ''Administrative streamlining, combining supervision with power delegation, optimizing services, promoting business startups, mass innovation and Internet Plus are all policies along the same lines (Li Keqiang 2015).'' These policies should be in place to create this economic growth engine (ibid). Shen (2017, 1) claims that the Internet Plus and the Belt and Road Initiative (in particular the 'Digital BIR') are both policies that connect the Internet with many sectors of the Chinese economy. With both policies, Chinese Internet companies receive active governmental support in their horizontal or vertical expansion in global cyberspace. Whether this happens domestically or internationally.

Government approaches to increase technological development

There are also other government approaches, besides the industrial policies, to increase technological development. The Chinese state puts a lot of effort into promoting the high-tech industry. Economic development through this sector is one of the leading goals of the State. This shift in focus influenced the way economic policies, human resources, and trade policies are drafted (Naughton 2018, 383). Chinese policy-makers use various instruments to achieve their technological objectives. So besides launching the Made in China and Internet Plus policy, the government supports technological development in other ways. The Chinese State provides financial support to companies operating in the high-tech industry. An example of this is the government subsidies and financial loans for companies that operate in the MIC2025 sectors. Wen and Zhao (2020) show how the government-subsidized and provided financial loans to companies operating in the

MIC2025 sectors. This resulted in increased investments in the Research and Development of the companies and in particular for the State-Owned Enterprises. It is still too early to determine whether this affected innovation output and an increase in the total factor productivity. Wen and Zhao's (2020) research did not find an increase in this in the short term. Other examples are tax breaks for R&D expenditures, subsidized credit for high-tech companies, procurement preference, and putting the ''high-technology enterprise'' stamp on companies. This mark can reduce the income tax rate from 30 to 15% (2018, 83). The government implemented demand-side policies, by becoming a 'customer' of the Strategic Emerging Industries. An example of this is the large number of satellites that the State purchased. The Chinese government thus applied multiple approaches to increase technological development, not limited to implementing policies. To facilitate its industrial progress, the regulatory environment started to transform (Naughton 2018, 385).

The regulatory environment of the industrial policies

To set up the institutional environment for innovation, the Chinese state improved its regulatory environment and institutions. More technical standards were established, a legal framework for Intellectual Property (IP) rights (in the 1980s) came into effect, control over the Internet increased, and foreign Internet companies (Facebook, Google, etc.) were banned from the Chinese market (Naughton 2018, 386–7). This allowed domestic Internet companies to penetrate the Chinese market. Finally, the emerging industries had to apply with few rules and regulations, for instance, the fintech sector. Naughton (2018, 386–7) argues that the State, set up the regulatory framework in a way to serve its innovative interests. The regulatory framework had the opportunity to guide or interfere in sectors and protect domestic companies. In more recent years, new regulatory frameworks and innovative legislation emerged in the PRC. One of these is the Anti-Monopoly Law, which the next chapter discusses in detail.

China's Five-Year Plans

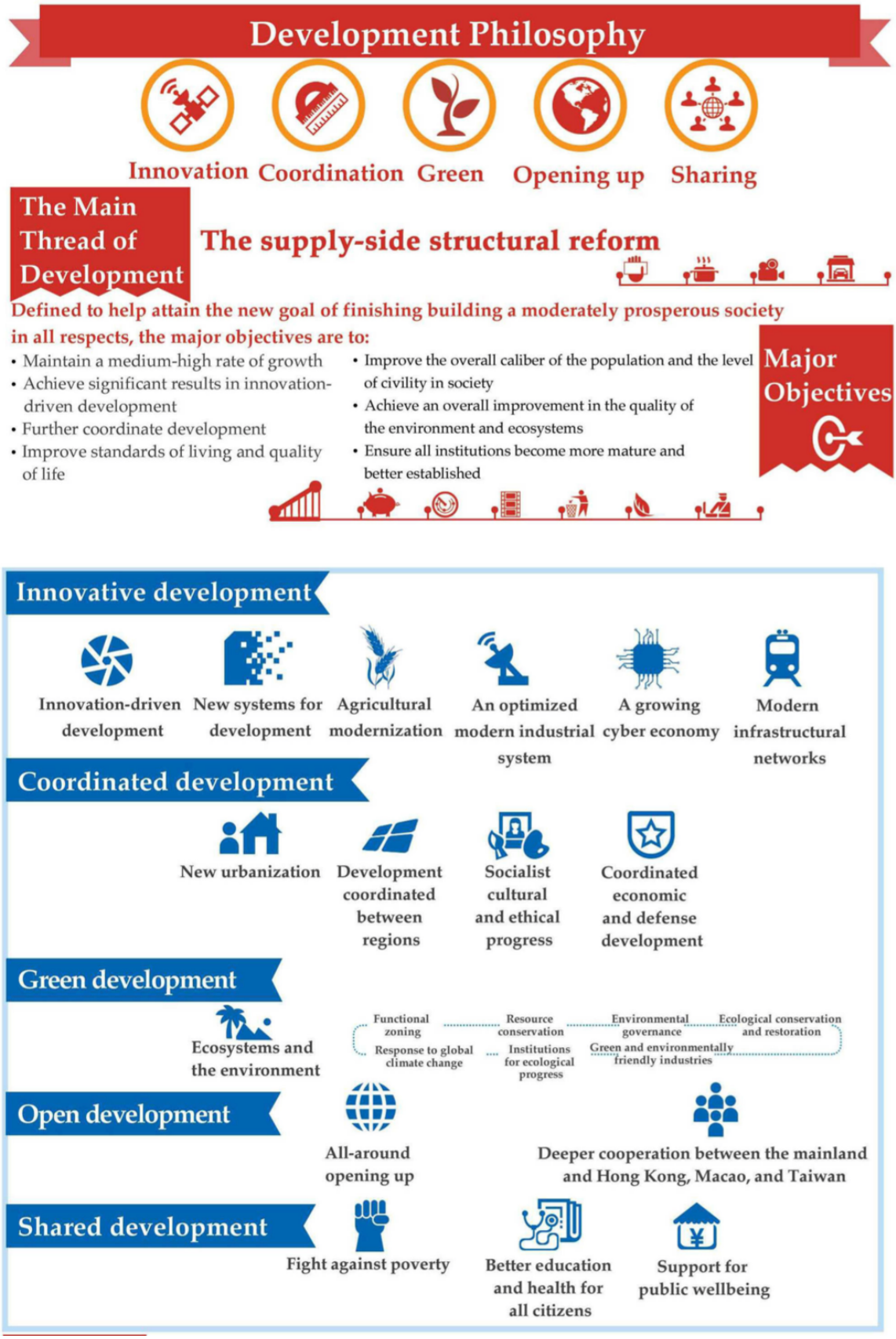
The Chinese State still publishes Five Year Plans. These are the blueprints for the development goals and guidelines of the Communist Party in the next five years. I will analyze the 13th and 14th five-year plans, to sketch the government's priorities from the last and for the following five years.

13th Five-Year Plan

In China's 13th year plan (2016–2020), the Communist Party of China's Central Committee (CPCCC), mentioned achieving results in innovation-driven development as one of their major objectives. Innovation-driven development can contribute to a higher total factor of productivity. It is therefore important that science and technology start playing a bigger role in the whole economy. Besides the necessity to raise the total factor of productivity, the innovation-driven development also has the ambitious goal to achieve breakthroughs in core technologies and key sectors. It should ultimately lead to a country that is talent-rich and full of innovation (13th FYP 2016, 15–6). Figure 3 illustrates a part of the overview of the 13th Five-Year Plan (Department of Development Planning 2016). The PRC's development philosophy consists of five elements: innovative, coordinated, green, open, and shared development. To achieve innovative development, the focus lies on innovation-driven development, creating new systems for development, modernizing the agricultural sector, optimizing a modern industrial system, growing the cyber economy, and modernizing infrastructural networks. The 13th-year plan consisted of 165 initiatives and programs to achieve the development philosophy. These initiatives and programs were not only industrial/technology related but also environmental, infrastructural, and to improve the quality of life. To strengthen the support for science and technology innovation, the 13th FYP established S&T-related programs and talent initiatives.

It becomes evident from China's 13th FYP that from 2016 the focus was technological and innovative-driven development, an occurring trend as seen in the industrial policies and government approaches.

Figure 3: An Overview of the 13th Five-Year-Plan



Source: Department of Development Planning, 2016.

14th Five-Year Plan

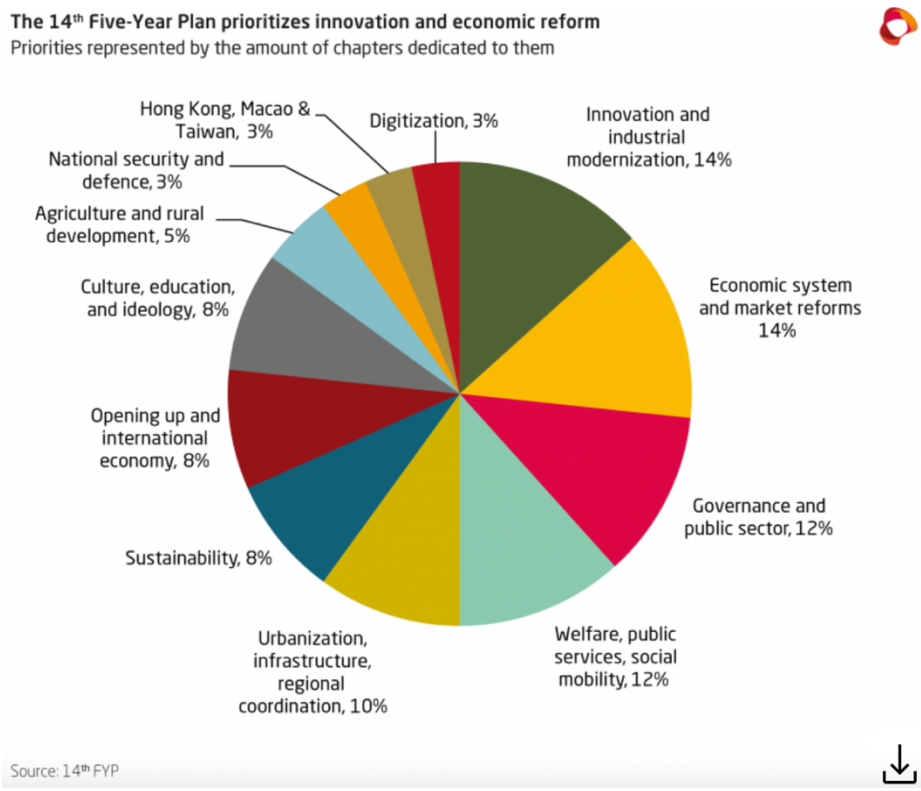
China's 14th Five Year Plan (2021-2025) also formulated long-term objectives for 2035. The trigger for rapid economic growth comes from the feeling of national reunification, the historical burden that continues to shape China's future. In the 14th Five Year Plan, the government seeks to ''gain an accurate grasp of the new stage of development (DLRO 2035, 2021)'' and continue applying the new development philosophy (see figure 3). The foremost goal is to continue high-quality development. An important measure to achieve this is to reform the supply-side of the economy (14th FYP, chapter 2, 11–12). The ultimate objective is to increase people's livelihood. This plan does not mention the numeral GDP growth, but it should be 'kept at an appropriate rate'. According to a PWC report, Chinese leaders consider a 5 percent appropriate GDP growth rate (PWC, 2020). In this FYP economic progress is more determined by increasing people's livelihood. People's well-being is improved if disposable income per capita increases, the urban unemployment rate decreases, and if the number of educational years, number of practical physicians per 1000 people, infant accessibility to nursing care, and the average life expectancy increases (14th FYP, Major Objectives, 19).

The 14th-year plan focuses on scientific and technology plans and projects that not only contribute to economic development but also safeguards China's security, such as AI, life and health science, brain science, space science, quantum information, and bio-breeding (14th FYP, Chapter 4, 24). The leaders aim for an open innovative space – or ecosystem where information is exchanged between businesses, universities, and research institutes (14th FYP, Chapter 7, 34–5). An arguably out-of-the-box proposal is that these actors will share resources like research personnel with each other. This proposal probably derives from the technological knowledge shortage that China needs to tackle to upgrade its technological economy.

To encourage R&D investments, high-tech companies will receive favorable tax deductions for R&D investments. To improve the innovative system, the government implies rules and regulations on competition, quality, and standards. State-owned enterprises receive favorable tax break policies and evaluation systems, to increase their R&D spending significantly (14th FYP, Chapter 5, 28–9). The objective is that China's total R&D spending increases by 7% per year (14th FYP, Chapter 3, 15–6).

A MERICS analysis showed that China's 14th-year plan moved away from quantitative growth objectives. The R&D spending is one of the few numbers stated in the plan. Figure 4 shows that in this FYP innovation and industrial modernization remain important pillars, next to the economic system and market reforms, the governance, and the public sector. Almost 12% of the plan is dedicated to welfare, public services, and mobility. MERICS analyzed the ''buzzwords'' digital and innovation in the 12th, 13th, and 14th FYPs. The word digital increased from 8 (12th FYP) to 80 (14th FYP). The word innovation declined from 207 (13th FYP) to 164 (14th FYP). The 14th FYP contains 119 key projects. The majority of projects are in urbanization, infrastructure, and regional coordination (27), followed by 19 projects in innovation and industrial modernization and 17 in digitalization (MERICS 2021). The total number of key projects decreased compared to the 13th FYP, except for the number of key projects in digitization. 36 projects in total were dedicated to digitalization and innovation and industrial modernization. This indicates how important the industrial industry remains for the Chinese government and in particular the digital industry.

Figure 4



Source: MERICS 2021

China's Digital Economy

These industrial policies and Five-Year Plans are a footprint of China's economic development trajectory. The policies and FYPs showed that a large focus is on industrial development and the high-tech sector. This thesis focuses on Chinese Internet Giants, and thus the Digital Economy, an integrated part of this technological and industrial policy. In 2017, McKinsey Global Institute called China's digital economy a global leading force (McKinsey 2017). The State Council Information Office educated the 'world' in a white paper on their ambitions in the new world era. They proudly communicated how new industries and businesses are emerging in China and what the growth rates in digital technological sectors are (SCIO 2019, 17). In 2018, the information service industry grew by 30.7 percent, and online shopping, platforms, mobile games, cloud computing, big data, and other related industries increased by 30 to 50 percent compared to 2017 (ibid). For the strategic emerging industries, this number was 8.9 percent.

In 2021, the Central Commission for Cybersecurity and Informatization issued the 14th Five-Year Plan for National Informatization. This document describes how China can organize and implement informatization in its economy. The growth of digital China should be achieved by developing informatization, the digital infrastructure, innovation capabilities, digital governance and the use of data should be optimized (14th FYP National Informatization 2021, 11). This document is arguably set up because several problems exist in China's Digital Economy.

The 14th FYP on National Informatization (2021, 8) pointed out that there are multiple flaws in China's informatization development. The development of this sector is unbalanced, the rural area lacks informatization development, and China has shortcomings in core technologies compared to foreign countries which makes China's competitive position in the world weak. The industrial policies showed the state's objective to integrate digital technologies into the real economy and foster high-quality development, this is however has not fully been implemented. Another motivator for China to improve this sector is that informatization can be used for a social governance system. The government would like to upgrade its governance systems. Besides that, data could be utilized, and a national data resource system should be constructed, although it does not mention the exact purposes (14th FYP National Informatization 2021, 8). What is

mentioned, is that one of the goals of digital development is to increase governance capabilities (14th FYP National Informatization 2021, 13)

Another shortcoming in China's Informatization Development and digital development is its policy system. All actors in the digital economy; government, society, and enterprises must go along with the plans and policies in this sector. To do so, the government states that it will ''[..] Encourage and lead capital markets to strengthen vigorous support of core technologies and strategic emerging industries and construct an investment and financing system where industrial funds and social capital participate in accordance with marketization. Innovate the method of financial funding and support, increase the vigorous coordination of existing technology plans, and support key core technology research and development.'' (14th FYP National Informatization 2021, 58).

Small and Medium Internet Businesses should get the opportunity to develop and enter the market, for which the government will provide financial support and legal actions. Large Internet players can face such Anti-Monopoly investigations and actions because the government wants to see a balanced allocation of innovation factors (ibid). These statements show clear signs of government guidance and restructuring of the technology industries.

On April 30th PolitBureau held a study session in which the development of capital in China in accordance with the law was the central topic of discussion (Sinocism 2022). During that session, Xi Jinping points out that capital is an important factor of production in China's economy. China is currently reforming and opening up its economy to a higher degree and with a special focus on high-quality development. Capital in this story is a point of discussion because different types of capital are present in China; private, state-owned, foreign, mixed-ownership, and collective. At the moment the PRC sees ownership forms diversifying and the inflow of international capital increasing. Xi Jinping believes that the strength of each capital type should be utilized to promote the PRC's scientific and technological progress. This contributes to economic and social prosperity and allows China to compete in international markets. In capital governance, the PRC should fight corruption cases, and take a hard stance toward profit-seeking activities of disorderly expansion of capital that occurs in the platform economy (Sinocism 2022). The 14th FYP on Informatization (14th FYP National Informatization 2021, 43), stated that foreign capital is necessary for (1) constructing the digital infrastructure (2) investments in smart

manufacturing (3) sectoral transformation (4) attracting foreign talents in informatization to China. Besides that, foreign-invested companies will be motivated to set up their regional headquarters, and innovation and R&D centers in the PRC. This makes me believe that the Chinese state tries to achieve two goals by attracting foreign capital. First, to solve the domestic problem of an 'unskilled' labor force in the digital and industrial industry. This domestic problem was mentioned multiple times in the PRC's industrial policies and was confirmed by the Ministry of Industry and Information Technology (MIIT) (South China Morning Post, 2021). Another goal is to increase technological know-how in the industrial industry (high-quality), from foreign R&D centers and employees and in turn improve China's international technical competitive advantage. The 14th FYP National Informatization Plan thus shows the domestic problems the Chinese State wants to address with the increased focus on digitalization.

To summarize, the PRC tries to overcome its middle-income trap by developing its industrial and technological industries. This will not only strengthen the domestic economy but also China's international economic position. Besides the economic perspective, 'full' digitalization in China helps the State with fighting societal issues, such as effective governance, and increasing people's livelihood. China's digital economy can help the Chinese state with achieving these goals. A few difficulties need to be addressed before full digitalization becomes operative, such as tech-related skilled labor force, an improved policy system for the digital economy, and the orderly expansion of capital.

II. The Anti-Monopoly Law and its aims

The previous section showed the PRC's broad economic and social goals and challenges. This section dives into the antitrust laws and what the Chinese government's goals are with this legal system. It connects the Antitrust Law (Anti-Monopoly Law) to China's industrial policy and shows how it relates to Chinese Platform companies.

The foundation of the Anti-Monopoly Law

As previously mentioned, the Anti-Monopoly Law was founded in the United States under the Sherman Act in the late 1800s. This law came into effect to protect the consumer. Consumers should not suffer from market abuse practices of the companies; thus, businesses have to adhere to maintaining low prices, delivering high-quality goods or services, and operating efficiently (Federal Trade Commission, 2022). The Anti-Monopoly Law (AML) was founded with a clear focus on the consumer. China adopted the AML years after its founding but was influenced by its foreign predecessors (Harris 2011, 2). Parts of the Chinese Anti-Monopoly Law are drawn from the European Union, Germany, Japan, and the United States. The PRC's unique political and economic system needs a custom-made AML (2011, 2–3).

And so on August 1st, 2008, the Anti-Monopoly Law (AML) of the People's Republic of China came into effect. This law only applies to the PRC, and not to the Special Administrative Regions of Hong Kong and Macau. Several related competition laws fall under the AML. First of all, the anti-competitive or 'monopoly' agreements between parties, secondly the abuse of dominant market positions, and finally mergers. This does not entail all mergers, but mergers that could eliminate or restrict competition (Ng 2017, 1). These three laws together are called Monopolistic Conduct (ibid). There are two different academic views on the legislative purpose of the Anti-Monopoly Law (Wang Xiaoye 2014, 157–58). For German scholars, the AML is for consumer benefits. When monopolistic behavior is restricted, market competition will be enhanced. Increased market competition leads to product price reductions and quality improvement. So, this process ultimately benefits the consumer. For some American scholars, the legislative purpose of the AML is to increase economic efficiency (2014, 157). Although there might be some differences in academic views, the public worldview is that

AML opposes monopolistic behavior, which leads to better consumer interests and economic efficiency.

Wang Xiaoye (2014, 158) argues that US anti-trust law entails three objectives. Firstly, the allocation of economic resources, because the economic allocation of resources is optimized in an open competitive environment. Secondly, increase social welfare. Low price levels and high-quality goods achieve this. Lastly, it enhances the degree of democratization in society, because it is believed that democratic and social (economic) institutions will emerge when there is open competition (2014, 158). What specific traits does the Chinese AML have then?

The Chinese Anti-Monopoly Law

Article 1 of the Anti-Monopoly Law in China states that the AML has ''the purpose of preventing and restraining monopolistic conducts, protecting fair market competition, enhancing economic efficiency, safeguarding the interests of consumers and the interests of the society as a whole, and promoting the healthy development of socialist market economy (Anti-Monopoly Law PRC, 2008, Article 1)'' Restraining monopolistic conducts that lead to economic efficiency and consumer protectionist are general global provisions of the AML. The promotion of the development of the socialist market economy is a provision that the PRC added to their Anti-Monopoly Law and is not present in the American AML.

Some scholars believe that the Chinese Anti-Monopoly Law has political implications. According to Ng (2017, 300–301), there is a relation between the Anti-Monopoly Law and the Government's reform agenda, policy aims, and concerns. Wang Xiaoye (2014, 29–47) views the Anti-Monopoly Law as a tool to advance economic reforms, but also as a product deriving from the PRC's economic reforms. This law or legal system can control market competition, but the 'competitive' outlook of this legal system could enhance the competitive spirit of the citizens and entrepreneurs. It creates a competition culture that is reflected in the PRC's economic reforms (ibid.). Another component that makes China's Anti-Monopoly Law a possible political tool is that competition and innovation are not mutually exclusive (Ng 2017, 260–2). The previous chapter pointed out that the Chinese government increased its focus on innovative and technological development.

Competition is an important component in encouraging innovation, a relationship that the Chinese government also picked up (Ng 2017, 260–2). The more companies innovate, the more economic development and transformation happen. In that light, the AML can be viewed as the institutional environment to drives innovation (ibid). The AML is also regarded as a legal weapon to break sector monopolies. On one hand, the AML can restrict companies from completing mergers. On the other hand, the legal enforcement of the AML can approve the merger or acquisition when it contributes to economic or social development and thus moves in the national interest (Wang Xiaoye 2014, 55). It should however not be overlooked that a country can also create other 'preferential' economic policies, to protect or guide important industries (ibid).

Is it true that the Chinese government uses the Anti-Monopoly Law for its economic development trajectory? And does the AML boost and direct China's industrial policy? If we may believe Ng (2017) and Wang Xiaoye (2014), there is a link between China's AML law and industrial policy. But do the content of the Anti-Monopoly Law and statements of policy-makers confirm or contradict this view?

The Anti-Monopoly Law and its relation to China's industrial policy and objectives

According to Ng 2017, (300–301), Article 4 of the PRC's AML proves the relation to the PRC's economic and industrial policies. In this article, the outcomes of the enforcement and public discussion around the AML illustrate how the AML relates to economic and industrial policies. Article 4 of China's Anti-Monopoly law states that the AML should be in line with China's socialist market economy. The State implements competition rules to improve macro-economic regulations. Besides that, the state would like to see an open, integrated and competitive market network. We must take into account that China's economic system did not fully transition into a market economy, but there is a link between the usage of the AML as a tool to improve macroeconomic regulations and the set-up of the PRC's economy.

When Chinese companies are reviewed for monopolistic practices, the law enforcer looks at the impact of the concentration of the company in the market (Anti-Monopoly Law PRC 2008, Article 27). Other points that are considered are the impact of their concentration on technological advances, and what the impact of the undertaking is on the development

of the domestic economy (ibid). So, while reviewing monopolistic practices, the law enforcer is not only looking at a dominant market position but pays extra attention to the technological benefits the company has and how that contributes to economic development.

Another example can be found in Chapter 2 of the AML, which defines illegal monopoly agreements (Articles 13 and 14). Although monopolistic agreements are illegal acts, there are seven exemptions. I listed only 4 relevant exemptions for this research. Monopolistic agreements can be excluded:

1) If the undertakings can prove that they contribute to the technological improvement or increased Research and Development Activities in new products (Article 15.1).
2) If economic efficiency is enhanced. An example of boosting economic activity is the division of labor and specialization in production (Article 15.2).
3) If the monopolistic undertakings contribute to creating efficient and competitive small and medium enterprises (Article 15.3).
4) If the monopolistic undertaking can legitimate interests in international trading and cooperation (Article 15.6)

(Anti-Monopoly Law PRC 2008)

China's 14th FYP on Informatization defined several domestic problems (e.g. capital, labor, international position) that China tried to overcome with technological forces. The solution to these problems seems to find its way back into China's AML. The Chinese AML has a strong technological focus.

The AML and Chinese Platform Companies – The 'problems the AML tries to tackle'

In 2020 and 2021, Chinese Tech companies faced multiple Antitrust investigations and fines (Crowell Moring 2021). The media called this the 'crackdown' of Chinese Tech. Many speculations went around about why this was happening. Antitrust investigations in digital advanced economies do not have to be shocking. US Tech companies Google, Facebook, Apple, and Amazon received Antitrust investigations as well (China Daily 2021). Marco Colino (2022, 237–39) calls Chinese big tech companies the digital gatekeepers of the Chinese economy. Their dominant market position causes challenges for the Chinese economy. At the beginning of the Antitrust investigations, the CCP said to strengthen its enforcement to fight the disorderly expansion of capital (ibid.)

Dudarenok (2021) China (consumer and social media) Market expert points out the whole Chinese market saw a changing regulatory environment from 2020 onwards. These regulations can be grouped into three sections; data privacy and data security, sector-related policies, platform competition, and Antitrust regulations. The combination of these three should lead to better development of the digital economy. Big Chinese tech companies (e.g., Alibaba and Tencent) created ecosystems in the community. The market share of the big Tech companies combined is over 80%. A problem with these Big Tech companies is their 'walled gardens'. Alibaba and Tencent for example blocked users from sharing content from an Alibaba ecosystem to a Tencent ecosystem. And the other way around. Another example is financial blocking. Users on Tencent ecosystems could not pay with Alipay (Alibaba's/Ant' Groups financial arm). E-commerce merchants that were selling goods on Alibaba, would get better terms if they would only sell on Alibaba's ecosystem and not on competitors' ecosystems. The Anti-Monopoly Regulations can break these walled gardens, increase connectivity among the platforms and safeguard the interests of the consumer (Dudarenok 2021).

Chinese Law expert, Zhang (2021), believes that the PRC's Antitrust Law is related to China's industrial and foreign policies. The AML should ultimately contribute to the PRC's trajectory of becoming a technological superpower and become non-reliant on Western technology. Zhang (2021) states that the Chinese government uses the AML as a tool to achieve policy objectives and simultaneously tackle monopolistic market behavior. Chinese Tech companies are the main target of the Antitrust investigations because they are the majority contributors to Chinese industrial policies (ibid). Dudarenok (2021) and Marco Colino (2022) pointed out that the Anti-Monopoly regulations have mainly targeted the Chinese Tech Platform Companies and not all tech companies. Although Dudarenok (2021) shows that the Platform Anti-trust regulations can benefit the consumers, there is also a highly political element in the AML. The next section elaborates on this.

As early as May 2020, the Chinese People's Political Consultative Congress (CPPCC) held a meeting on the healthy development of the digital economy (Xinhua 2020). During that meeting Vice Premier of the State Council Liu He mentioned the urge to develop the

platform economy healthily, while simultaneously developing the private economy. Liu He expressed that platform enterprises are needed for the country's science and technology innovation project. The Chinese state must direct the platform companies to do so (Xihua 2020).

In less than a year, the Anti-Monopoly Committee of the State Council issued the Antimonopoly Guidelines on the Platform Economy (February 7th,2021). A platform is a commercial Internet-run business, that interacts with bilateral or multilateral entities through network information technologies. This platform creates value through this interaction with the other entity. Businesses are examples of platform operators (Platform Economy Guidelines 2021, Article 2). The law enforcement agencies have multiple goals or principles for the platform economy. The first one is to make sure that the platform economy has a fair economic competition field, meaning that no monopolistic behavior takes place. One of the basic principles mentions that the disorderly expansion of capital should be prevented. A 'problem' that the PRC is currently facing in its platform economy (Sinocism 2022). Besides that, the law enforcement agencies must support innovative developments and the international competitiveness of these businesses. The anti-monopoly law enforcement agency can consider different characteristics while investigating operators in the platform economy; (1) the market share (2) the control over the market, by looking at data process-, expansion-, and disruptive innovation abilities (3) the concentration in the platform market (4) the impact the operator has on new market entries (5) the influence on technological progress and if start-up acquisitions affect innovation (6) the impact on consumers, not limited and quality issues but also on consumer data issues (7) the impact on other operators and the development of the PRC's economy (Platform Guidelines 2021, Article 20). Next to fines, the AML can enforce other restrictive conditions. It can divest intellectual property, data, technology, and tangible and intangible assets (Platform Guidelines 2021, Article 21).

These restrictive measures could have strong consequences on a company's profitability and in the worst-case scenario lead to the end of its existence. And if this threat guideline, in which the Chinese State shows how the state-market dynamics are, was not convincing enough; later that year (October 29, 2021) the SAMR published the guidelines for Internet Platform Categorization and Grading (Draft for Comment) (GIPCG 2021). I displayed the platform category (table 1) and the platform grade (table 2) firstly to give a visual

overview of the type of platforms and secondly to highlight which type of companies could face must discomfort from Antitrust regulations.

Table 1, Platform Category

Platform Category	Linkage Attribute	Main Function
Online market platform	Links people with goods	Transactional
Everyday services platform	Links people with services	Services
Social and entertainment platform	Links people with people	Social and entertainment
Information platform	Links people with information	Information
Financial platform	Links people with capital	Financial
Computing application platform	Links people with computing capacity	Network computing

Table 2, Platform Grade

Platform grade	Grading basis	Concrete Standard
Super platform	Exceedingly large user scale	An annual number of active users within China of no fewer than 500 million in the previous year
"	Exceedingly broad categories of operations	Core operations involving at least two kinds of platform operations
"	Exceedingly high economic value	A market capitalization (appraisal) of no less than 1 trillion RMB at the end of the previous year
"	Exceedingly strong restrictive ability	Having excessively strong ability to restrict merchants' connections with consumers (users)
Large platform	Relatively large user scale	An annual number of active users within China of no fewer than 50 million in the previous year
"	Primary business	Having a prominent primary platform business
"	Relatively high economic value	A market capitalization (appraisal) of no less than 100 billion RMB at the end of the previous year
"	Relatively strong restrictive ability	Having relatively strong ability to restrict merchants' connections with consumers (users)
Small and mid-size platform	A certain user scale	Having a certain number of active annual users within China
"	A certain operational category	Having certain operations
"	A certain economic value	Having a certain value (appraisal)
"	A certain restrictive ability	Having a certain ability to restrict merchants' connections with consumers (users)

Both sources retrieved from: DigiChina 2022 (GIPCG 2021)

The Platform Guidelines (Platform Guidelines 2021) and the Platform Categorization and Grading (GIPCG 2021) were not just threats to cooperation in the PRC's science and technology progress. Until mid-June 2021, the State-Anti Monopoly Bureau filed 98 Administrative Penalties, among which several (super) platform companies. Tencent,

Alibaba, Meituan, Didi, Baidu, Suning, and Bytedance (SAMB 2021, 20). In total 40 Antitrust cases of platform companies were reviewed (SAMB 2021, 17). The legal Anti-Monopoly fines in the PRC are 10 percent of the previous sales year or max. 500.000 yuan per charge (AML PRC 2008, Article 46–54). These fines do not have to impact the profitability of a business, because they are relatively small compared to the financial performances overall. The heavy indicated sanctions, however, can seriously harm large and super platforms. I, therefore, consider The Platform Guidelines (Platform Guidelines 2021) and the Platform Categorization and Grading (GIPCG 2021) a warning sign from the Chinese State to the (Super) Platform companies to adhere to the domestic economic development goals, in which digital development plays an important role. The super platforms have the knowledge and resources to help the government with achieving these goals.

III. Case studies on Chinese Internet Giants

The previous section showed how and why the Chinese Government started to target Chinese Platform companies under the Anti-Monopoly Laws. This section illustrates how the AML impact the super platform (monopolistic) companies. Tencent and Alibaba are selected for the case studies because both received Antitrust fines in 2021. The main focus of the case studies is to illustrate if the AML moves the companies in different strategic directions.

Case study Tencent

Tencent is a large private tech corporation that operates in multiple digital-related sectors. Tencent is well-known for its domestic and international games and communication and social services (Weixin and QQ). Online advertising is offered through WeiXin with its Mini Programs. Besides that, the company offers digital video (Tencent Video) and music content, FinTech (Weixin Pay), and Cloud and Business Services (Tencent 2021, 5–6). The Annual report of the State Anti-Monopoly Bureau mentions one Antitrust case on Tencent in 2021 (SAMB 2021). Tencent's Huya was prohibited from merging with another live streaming videogame platform Douyu. The SAMB started to review the case in January 2021 and decided after rounds of discussions with the companies that the impact of the merger was too large. The merger would increase Tencent's dominant position in the live streaming videogame industry. The major problem was that after the merger Tencent would be in the position to further license live streaming videogames to other companies and thus eliminating competition in this sector. The deal stayed unsigned after the review process. The SAMB said that this case sent out a clear signal to platform companies that they should act accordingly to the Antitrust laws and that disorderly expansion of capital will no longer be tolerated (SAMB 2021, 17). This was not the only Antitrust investigation on Tencent. The company received a 500.000 Yuan fine for the acquisition of China's Music Group in 2016. In 2016, Tencent bought over 60 percent of China's Music Group's shares. China's Music Group was renamed Tencent Music Entertainment Group. Tencent never reported the deal to the State Administration for Market Regulation. The acquisition was seen as a competition restriction in the Chinese online music market (ibid).

The amount of the fine was not substantial enough to directly affect Tencent's operating performance (revenue and profit). Tencent's revenue increased from 482,064 (2020) to 560,118 RMB Million in 2021. Its profits grew from 160,125 (2020) to 227,810 RMB Million (2021) (Tencent 2021, 3). Indirectly the merger control impacts future growth profits. Tencent does not mention what the direct effects of the Antitrust investigations and fines are on its company's strategy. They do not mention the fines and investigations at all in the Annual report, but show in a graph that Antitrust has a high impact on both the shareholders and Tencent's business. Tencent's financial statements do not include the fines either. Perhaps most striking is the independent auditor report does not communicate that the company did not apply the domestic regulations. In general, when a company breaks the law, the independent auditor must communicate this. PWC (the independent auditor) writes about law and regulation that ''[..]in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.'' (Tencent 2021, 168).
In the Annual report is it however visible that Tencent built in a self-regulatory mechanism to comply with the Antitrust regulations. In 2021, Tencent established a specialized compliance department, updated the Antitrust compliance guidelines for all businesses, and strengthen inhouse Antitrust compliance training and advocacy (Tencent 2021, 139).

Besides these actions, did Tencent's operations change? And did it change to the State's interests?
Tencent changed its corporate structure to ''sustainable innovations for social value'' (Tencent 2021, 114). The company increased its focus on developing products and services that contributed to society's wellbeing and invested 50 billion RMB in the common prosperity initiative of the PRC. It helps other industries and small and medium-sized enterprises in their digital transformations and advancing the Internet industry (2021, 111–4). Tencent offers technologies that contribute to social well-being, such as youth programs to teach coding skills (2021, 116). Tencent appears to take on the guiding role of digital transformation in the PRC and adapted its strategic focus to benefit Chinese society. CEO Ma Huateng believes that the Internet Industry is structurally shifting in China. The focus of the Internet Industry is more on user value, social responsibility, and

technology innovation. To move along with this, Tencent is ‘‘[..] proactively adapting to the new environment by managing costs, increasing efficiency, sharpening our focus on key strategic areas, and repositioning ourselves for sustainable long-term growth.’’ (Tencent 2021, 4).

Case study Alibaba

Before diving into the case study, I want to say that I will look objectively at the impact of the Antitrust regulations on Alibaba. Despite being aware of events surrounding Jack Ma, this research distances itself from connecting the two.

Alibaba Group is a holding company of multiple digital companies. Alibaba is best known for its domestic (Taobao, TMall) and international (AliExpress) commerce services. The company is also active in cloud computing, digital and media entertainment, and innovation initiatives. Next to that, Alibaba has interests in payment and financial services, logistic services, marketing services, and data management platforms (Alibaba 2021, 11). Wu Zhenguo, Director General of the Anti-Monopoly Bureau of the (SAMR) said in an interview that an administrative penalty of more than 18 billion RMB was imposed on Alibaba on April 21st, 2021 (Wu Zheguo, 2021). The penalty was 4 percent of the domestic sales of 2019. The Anti-Monopoly Bureau detected monopolistic conduct from Alibaba’s ‘choose one from two’ behavior. The company forced its merchants to choose between online retail platforms.

Did the fine affect the operation performances of Alibaba?

Till March 31, 2021, Alibaba’s revenue was 717,298 RMB million compared to 509,711 the year before. The net income increased from 140,350 to 143,284 RMB million. Alibaba received the penalty in March and present its 2021 annual figures till March 31 each year. The penalty is included in the annual figures and did not impact the revenue and profit levels compared to the previous year. One month difference is however a short time frame to conclude the effect of the penalty on the operating performance. The interim report (period from March 2021 – September 2021) shows revenue growth of 32% compared to the previous year (March – September 2020) (Alibaba 2021a, 2–15). The revenue growth is derived from the domestic and international growing commerce and the Cloud Computing segment. The net income decreased by 37% in the same period, which the company contributes to investments in key strategic areas. The company invested in

Taobao and Lazada (Southeast Asia E-Commerce platform) (ibid.). Alibaba keeps its domestic focus but also increased investments in its international branch.

In what way did the Antitrust regulations impact Alibaba's operations?

Alibaba is more transparent than Tencent about the Antitrust fines and their impacts. The company mentions the details and the amount of the penalty in their annual report (Alibaba 2021). The SAMR did not only leave the company with a penalty but also with administrative guidance that entails a program of rectification. The SAMR expects Alibaba to strengthen internal control and compliance and take responsibility as a platform operator. Besides that, fair competition practices should be at the forefront, while keeping the rights of the merchants and consumers in mind. For the next three years, Alibaba needs to make self-assessments and compliance reports and send these to the SAMR (Alibaba 2021, 86). CEO Daniel Zhang blamed Alibaba's Monopolistic practices on the newness of the Internet Platform economy. The understanding of this industry grew over the past year, and the new insights after the penalty will be taken into the future. The company will ensure that it complies with the AML and its responsibilities as a platform company (Alibaba 2021, 15).

The Antitrust regulations create many uncertainties for Alibaba's future growth.

Firstly, Alibaba said that growth through acquisitions became more challenging. The Antitrust regulations require regulatory approval and acquisitions have weighty review requirements (Alibaba 2021, 207). Secondly, the regulations in the Information and Technology industries come with major risks. It is uncertain whether Alibaba can operate in this sector. Alibaba is a foreign-owned enterprise, which may be excluded from the information and technology industry in the PRC. Alibaba said ''If new or more extensive restrictions were imposed on the segments in which the Company is permitted to operate, the Company could be required to sell or cease to operate or invest in some or all of its current businesses in the PRC.'' (Alibaba 2021, 352).

And so, Alibaba is preparing itself for possible strategic change, while lobbying for its place in the Chinese digital economy. In Alibaba's strategic outlook, CEO Daniel Zhang said that Alibaba envisions itself as the infrastructure of the digital economy and states that it ''[..] is committed to doing our part in supporting the infrastructure development of the digital economy.'' (Daniel Zhang Alibaba 2021, 15). Daniel Zhang expressed that Alibaba will develop its relationships with its various partners and stakeholders, and contribute

to society. ''We need to give more thought towards the positive value being created for society; addressing challenges related to essential technology; supporting the development of rural revitalization; becoming more environmentally friendly and sustainable.'' (Daniel Zhang Alibaba 2021, 15).

To summarize, the Antitrust regulations have put Tencent and Alibaba in uncertain situations. The companies pay a lot of attention to expressing their willingness and efforts in developing the digital economy and contributing to society and the PRC. This makes me believe that fear predominates in the minds of these platform giants. It almost looks like Tencent and Alibaba give sales pitches to partner up with the Chinese State to digitally develop the economy. Although I appreciate the humanitarian view of the companies in these statements, I am sure that shareholders do not want to see these practices at the expense of profits. The PRC's Antitrust regulations make future growth and the company's (continued) role in China's digital economy uncertain. The Chinese State has a powerful tool in its hands to control the platform companies with the Antitrust regulations. Hypothetically, in the years ahead if the Internet Giant's role in the Chinese digital economy declines (eg. selling assets, investment, or operating restrictions) the companies will search for future growth overseas. If the companies operate in the interest of the state (e.g. investing in strategic industries, attracting technology knowledge and talents to the PRC – that can be shared with other companies), their profitable future existence in the PRC is more secure.

IV. Conclusion

In the last decade, the Chinese economy became stuck in a middle-income trap. Initially, China's economy thrived in its manufacturing sector, but as the Chinese labor costs went up, foreign countries started to move manufacturing to other low-cost countries (Wubbeke et. al 2016, 16). Policymakers tried to overcome this with a new development strategy. A large technological focus became embodied in the PRC's policies and Five-Year Plans. This was first to strengthen the domestic economy and second to become a long-term competitive player in the global economy. China's new development path focuses on economic growth by utilizing its high-tech industry in which the digital economy plays a leading role. China's Internet Plus Strategy for instance showed that policymakers want to integrate digitalization into both the economy (industrial production, finance) and society (education and healthcare) (Xinhua. 2015). China needs a labor force with technical industrial know-how to successfully digitalize the economy and society. There is a shortage of this skilled labor force in the PRC, which policymakers try to solve by attracting foreign knowledge to the country. Simultaneously Chinese policymakers are concerned with the disorderly expansion of capital in China.

It became evident that China's Anti-Monopoly Law (AML) is connected to the Chinese State's economic development path. First, there is a strong technical knowledge and advancement focus in the Chinese AML. For instance, under Article 15 can Monopolistic agreements be excluded from sanctions if the agreement contributes to increased R&D activities, and economic efficiency, if competitive small and medium enterprises are created or if its benefits international trading (Anti-Monopoly Law PRC 2008, Article 15). Second, mergers and acquisitions can be controlled and directed in a way to create an orderly expansion of capital.

The Platform Guidelines (Platform Guidelines 2021) and the Platform Categorization and Grading (GIPCG 2021) illustrated that the AML targets Chinese Platform companies. The sanctions that can be imposed on Platform companies are outrageous. Next to fines, the State Anti-Monopoly Bureau can deprive data, technology, Intellectual Property, and other assets from the Platform companies. These sanctions put the Platform companies in vulnerable positions. Platform companies are therefore likely to move in the State's

interests and help digitally develop the Chinese economy. The case studies on Alibaba and Tencent confirmed their vulnerable positions and willingness to do so.

To what extent are Antitrust regulations on Chinese Internet Giants by the Chinese state then contributing to China's technological economic development trajectory?

It remains uncertain what exact role Chinese Platform companies will play in the development of China's technological economic development trajectory. What can be said is that the Chinese State shall orchestrate this role. The government has a powerful tool with the Anti-Monopoly Law and Platform Guidelines to direct Platform companies. It is first up to the Chinese government to determine how to regulate capital in each domestic industry. The Information and Technological regulations are still in process. As Alibaba indicated, uncertainties remain for foreign-owned enterprises to operate in this sector in the future (Alibaba 2021, 352). Next to that, growth through mergers and acquisitions became more challenging because of the AML in the PRC. Both Alibaba and Tencent are inclined to digitally develop the economy and contribute to society and the PRC. These statements show that Alibaba and Tencent want to cooperate with the Chinese State on its economic development path. Expectedly this is what will happen. On the other side of the spectrum, the international expansion of these companies will likely accelerate in the coming years to avoid uncertainties. As Fingar and Oi (2020, 15) argued, a successful future depends on the choices of policymakers. It is up to the Chinese State to give the economy strategic guidance and move China out of its middle-income gap.

There are a few limitations to this research. First, because of the contemporariness of the topic, few academics addressed this. I, therefore, had to set up new research and could not contribute to academic debates around the Chinese Crackdown.
Secondly, I do not have a legal background so I had to rely on other legal scholars and interpretive methods to get the best understanding of the Chinese Anti-Monopoly Law. Thirdly, my business background may have affected this research. I viewed the case studies for instance from a business perspective. My background, sometimes consciously, sometimes unconsciously, resulted in analysis and conclusions that are logical from a business perspective and maybe not in the eyes of all scholars.

Finally, the majority of the events around this topic were between 2019 and 2022. This makes it hard to determine the precise direction in which Platform companies are moving and what the effects of the AML are.

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