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Chinese authorities increase control over fintech and e-commerce companies

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In recent months, Chinese authorities have taken a number of measures to increase control over the activities of the IT companies from fintech and e-commerce sectors, and to more strictly regulate their operations. The rapid development of Chinese companies operating in these sectors, their growing role in the Chinese economy and expansion into various areas of economic life have been so far combined with the relatively limited control by the party-state apparatus which finally has raised concerns among the CCP leadership.

As part of the efforts to curb the Chinese tech giants, the authorities have taken a number of actions to discipline the Alibaba Group which is China's largest company operating both in fintech and e-commerce. The actions against Alibaba are also meant to set an example for others. Ant Financial's IPO was blocked, antitrust investigations and fines on other Alibaba Group members were initiated for antitrust violations. The party-state media began to criticise the company's operations as well. Similar measures, though on a smaller scale, were also applied to other companies. The decisive steps taken against the Alibaba Group entities prove that any Chinese company, regardless of its size, must submit to the will of the party. The latter carries out its will using arbitrarily chosen methods. The companies which are the subject of such actions do not have any instruments at their disposal to protect themselves from the arbitrariness of the party-state organs' decisions.

One of the objectives of the actions undertaken by the Chinese administration is to reduce the risks associated with the activities of financial holding companies. Acting as para-banks, they do not meet the requirements for banking institutions and pose a greater risk to the financial system. The growth of financial services provided by fintechs also poses a threat to

the revenues and position of the traditional banking sector which is another tool in the party's hands to control the economy.

Beijing is also taking steps to protect the market competition by weakening the monopolistic power of IT giants. Using their strong market position, online platforms impose high service fees on sellers, mostly charged as a percentage of sales. Exclusive contracts are also used, in which a company using a particular platform agrees not to use other platforms. Alibaba has long been accused by competitors of misusing its position. However, the latter also have been bending the rules. In the past years, Chinese authorities have been signalling that the time of the previous, rather lax treatment of their operations is coming to an end and the steps undertaken recently indicate that the time of issuing warnings has ended.

To address the growing social concerns and to restrict the access of tech companies to the Chinese citizens' data, the authorities have undertaken steps to better protect the rights of business entities and consumers who use the services of online platforms and other services provided by fintech and e-commerce companies. The scope and volume of data collected and used by those companies is of concern to the Chinese administration and the party. The access to huge amounts of personal data gives powerful Chinese IT giants considerable knowledge about their users, often much more extensive than that available to individual government agencies. Reducing the potential risk to the party's political position posed by tech firms is also a key consideration for the CCP leadership. The authorities increase protection of the personal data of Chinese residents through stricter application of current laws and actual enforcement of already imposed restrictions on use and transfer of personal data. Another important element is a planned introduction of the Personal Information Protection Law (PIPL). If it is passed, it will be the first comprehensive regulation covering this area.

Polish state administration, including governmental administration at various levels and local self-government bodies, should therefore take into account the actual dependence of Chinese private companies on the party-state apparatus when establishing cooperation with Chinese partners or allowing them to participate in projects in Poland.

Due to planned changes in regulations and the introduction of the principle of extraterritoriality, Polish companies that collect personal data from the PRC citizens should prepare for the implementation of necessary changes in their relevant business processes. Stricter application of current regulations and the expected introduction of the PIPL will have little impact on the protection of personal data of Polish citizens, however, as the Chinese authorities' efforts are focused on the protection of its own citizens' data.

The Chinese authorities' actions can lead to the weakening of the Alibaba's monopolistic position and increased competition on the Chinese market. On the one hand, it is possible that in the longer perspective this will lead to an increase in the number of major platforms providing cross border e-commerce import services and more favourable conditions for Polish exporters. On the other hand, stiffer competition in China may lead to a stronger overseas expansion of the Alibaba group companies and increase pressure on Polish platforms and companies involved in servicing e-commerce trade.