

Xi Jinping's Economic Model  
and Future of Globalization

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**PIIE** PETERSON INSTITUTE FOR  
INTERNATIONAL ECONOMICS

# Building or Destroying Value? China's Moves to Regulate Big Tech

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# Roadmap

What has China done to its tech sector?

Effects on startup investment?

Comparison of actions/motivations with other countries?

Long-term impact?



# Regulatory Storm Hits Big Tech Hard

## 1. 2020 Shots Across the Bow

Nov: Ant IPO Cancelled  
 Dec: Politburo statement on “disorderly expansion of capital”, antimonopoly push; Alibaba Antitrust Investigation

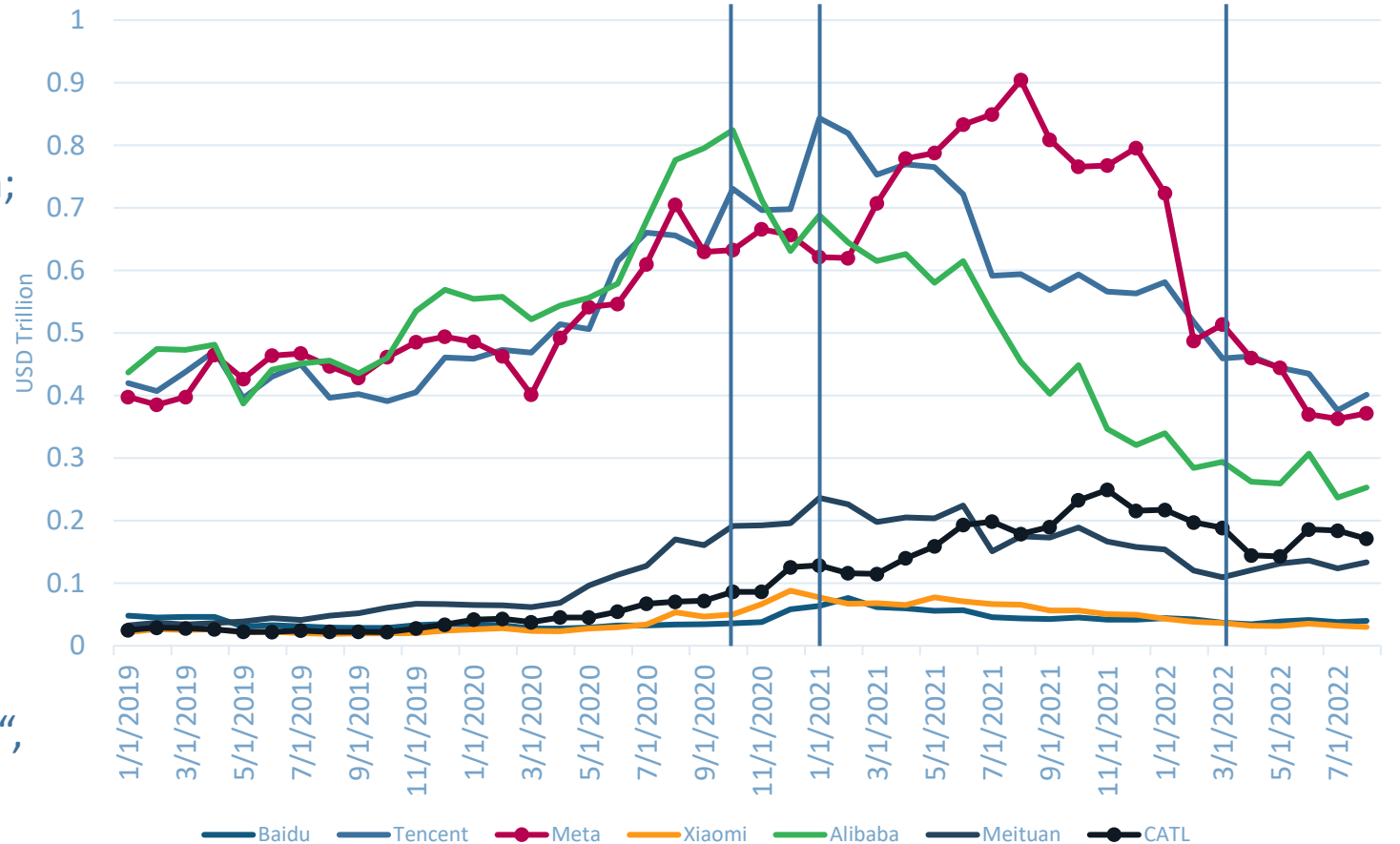
## 2. 2021: Campaign Shifts into Gear

Feb: Antitrust Guidelines for Platforms  
 Apr: Alibaba record Fine; Meituan Inv.  
 Jun: Didi Investigation, IPO scrutiny  
 Oct: Xi “development in one hand and management and regulation in the other”

## 3. 2022: Settling down?

Mar: Liu He "red lights" and "green lights", transparent, and predictable

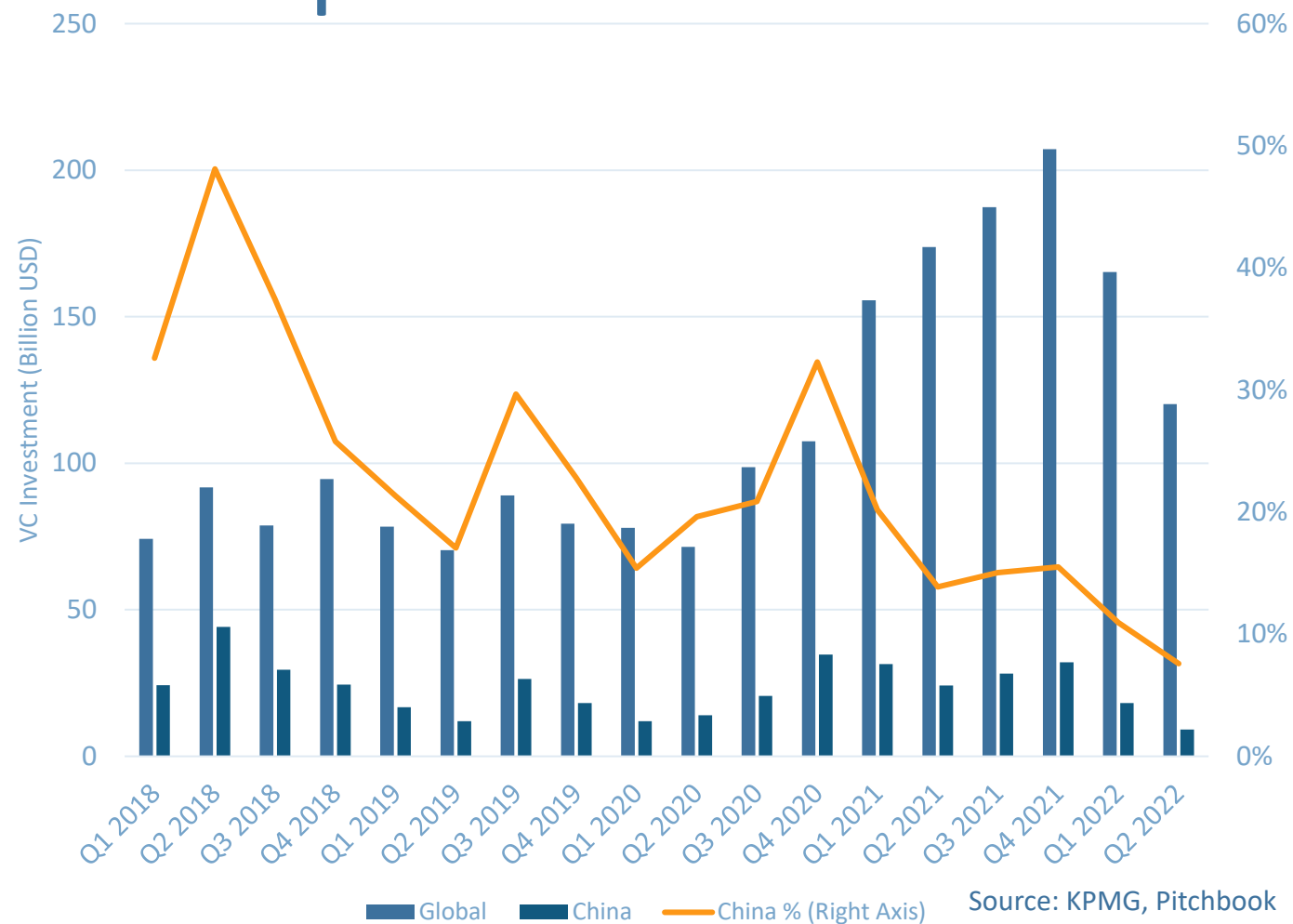
Tech Firm Market Capitalization Hit by Reg Campaign



Source: Macrobond

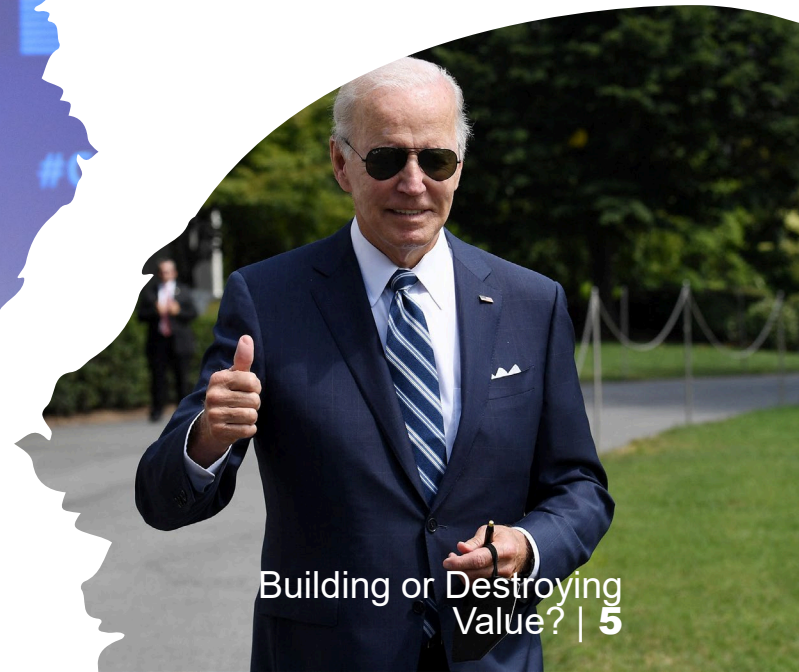
# Startups: Not Filling the Gap

- CN VC held up in 2021, but lost global share
- Q2 was weakest for startup investment in 8 years
- Starkly deteriorating macro environment major factor, not just regulation



# “When we look across the water, we see a lot that’s familiar...”

- *Which is Xi Jinping, Biden Admin, EU Commission?*
- “greater scrutiny of mergers, especially by dominant internet platforms...accumulation of data, competition by “free” products, and the effect on user privacy”
- “investigate and prosecute monopolistic and unfair competitive behavior...protect the lawful interests of platform employees and consumers.”
- "Due to the 'winner-take-all' dynamics of the platform economy, big online platforms have grown and gained gatekeeper power.“



# Unique for China or the World?

## Comparison with other jurisdictions

- Faster movement when need decisive action, but risks overreach
- More focus on ideological control and push to non-econ security objectives

## Tech regulation consistent with Chinese Political Economy

- Campaign-style crackdowns after lax regulation, shift in regime (Ang, Chorzempa)
- Big moves before major Party Congresses (Naughton and Blanchette)
- Shift towards more granular industrial policy, “grand steerage” (Naughton)



# Conclusions and Outlook

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Government engineering shift from minimally to highly regulated tech sector.

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Regulatory uncertainty probably peaked, but compliance costs and restrictions are permanently higher. Property and zero-Covid amplified neg growth effect.

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Antitrust not yet showing positive growth of new startups to cover destruction of big tech valuations.

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Closer to separate CN “splinternet,” difficult to comply for foreign firms.

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