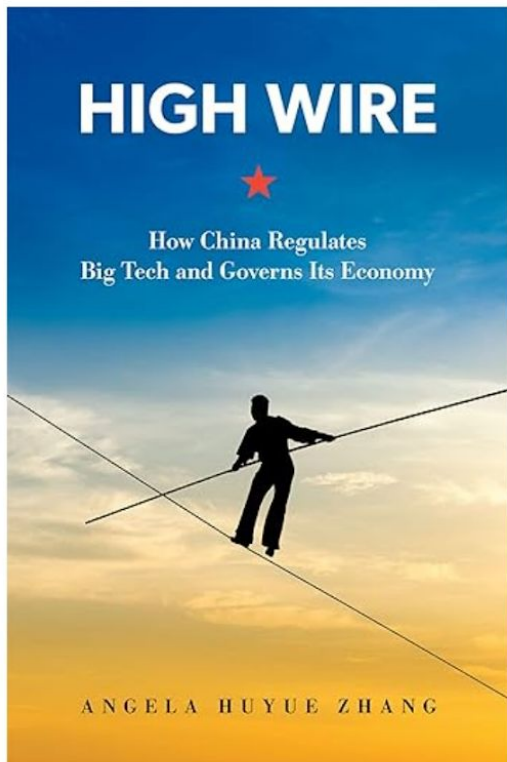




# How China Regulates Big Tech and Governs AI

**Angela Huyue Zhang**  
**University of Hong Kong**

**Berkeley Law School**  
**April 1, 2024**



Roll over image to zoom in

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# High Wire: How China Regulates Big Tech and Governs Its Economy Kindle Edition

by [Angela Huyue Zhang](#) (Author) | Format: Kindle Edition

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In *High Wire*, Angela Huyue Zhang provides a comprehensive and sophisticated overview of how China regulates its enormous tech sector. By closely scrutinizing the incentives and interactions among the key players, Zhang introduces a dynamic pyramid model to analyze the structure, process, and outcome of China's unique regulatory system. She showcases the shrewd self-regulatory tactics employed by Chinese tech titans to survive and thrive in an institutional environment plagued by endemic fraud and corruption. She also reveals how the Chinese State has given a helping hand to digital platforms by offering them indispensable judicial support.

Through a robust analysis of the tumultuous 2020-2022 tech crackdown, Zhang explores the model's profound impact on three vital pillars of Chinese platform regulation, including antitrust, data, and labor enforcement. As

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# Shaming BABA



## 市场监管总局依法对阿里巴巴集团 涉嫌垄断行为立案调查

发布时间: 2020-12-24 08:30 信息来源: 市场监管总局



近日，市场监管总局根据举报，依法对阿里巴巴集团控股有限公司实施“二选一”等涉嫌垄断行为立案调查。

## 加强反垄断监管是为了更好发展

余超

2020年12月24日08:34 来源: 人民网

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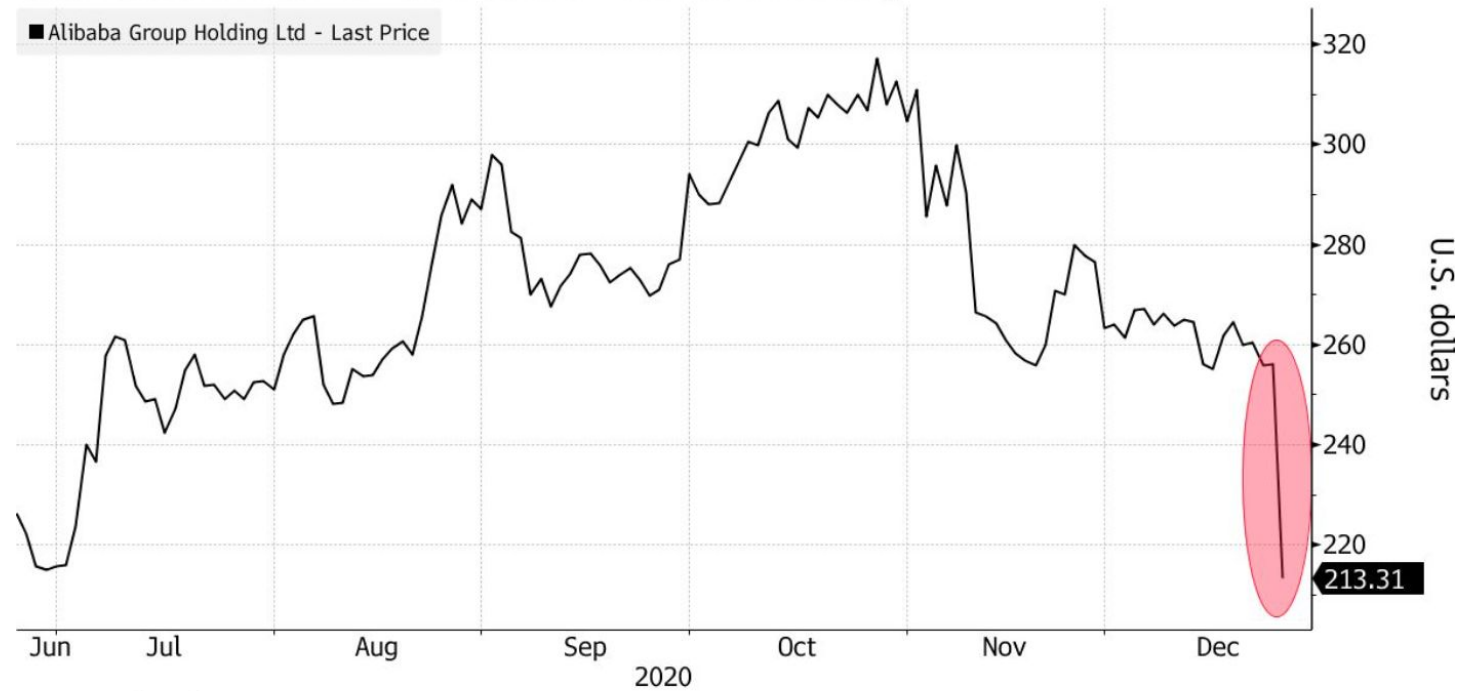
近日，市场监管总局根据举报，在前期核查研究的基础上，对阿里巴巴集团控股有限公司实施“二选一”等涉嫌垄断行为立案调查。这是我国在互联网领域加强反垄断监管的一项重要举措，有利于规范行业秩序、促进平台经济长远健康发展。

近年来，我国线上经济蓬勃发展，新业态、新模式层出不穷，对推动经济高质量发展、满足人民日益增长的美好生活需要发挥了重要作用。但与此同时，线上经济凭借数据、技术、资本优势也呈现市场集中度越来越高的趋势，市场资源加速向头部平台集中，关于平台垄断问题的反映和举报日益增加，显示线上经济发展中存在一些风险和隐患。近期召开的中央政治局会议和中央经济工作会议均明确要求强化反垄断和防止资本无序扩张，得到社会热烈反响和广泛支持。可见，反垄断已成为关系全局的紧迫议题。



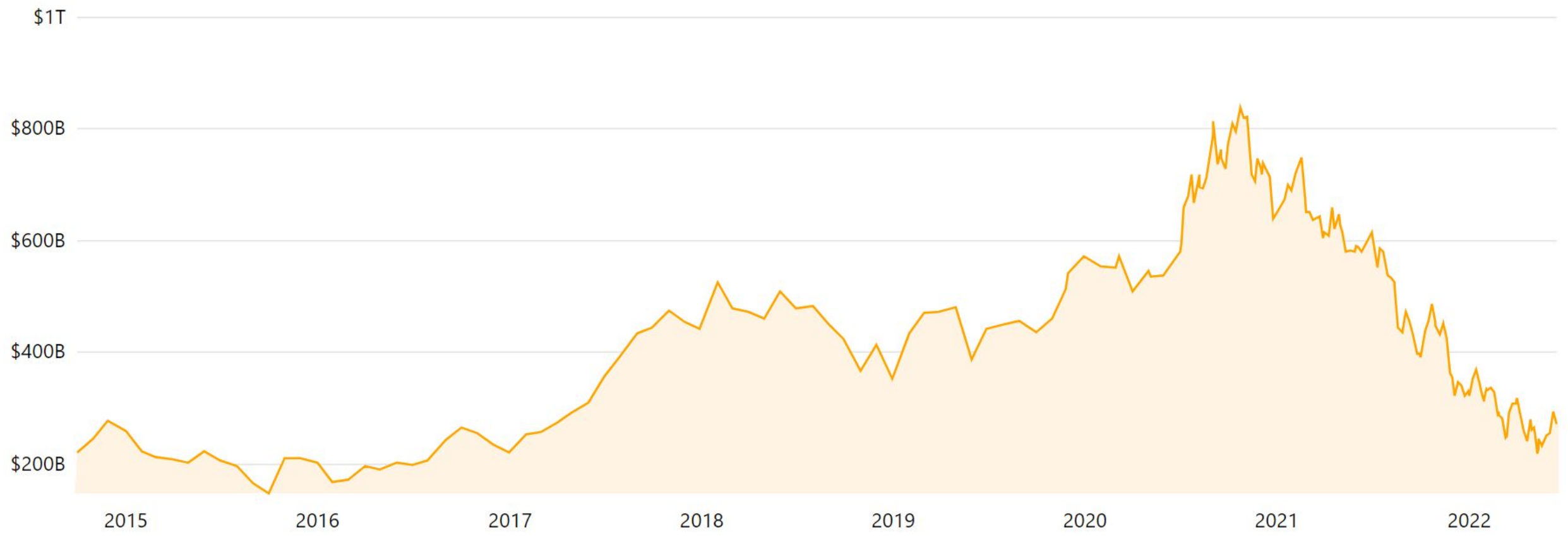
# Market Reactions

## Alibaba Extends Downtrend U.S.-listed shares tumbled to their lowest since July



Source: Bloomberg

## Market cap history of Alibaba from 2014 to 2022



# Overview

The Dynamic Pyramid Model

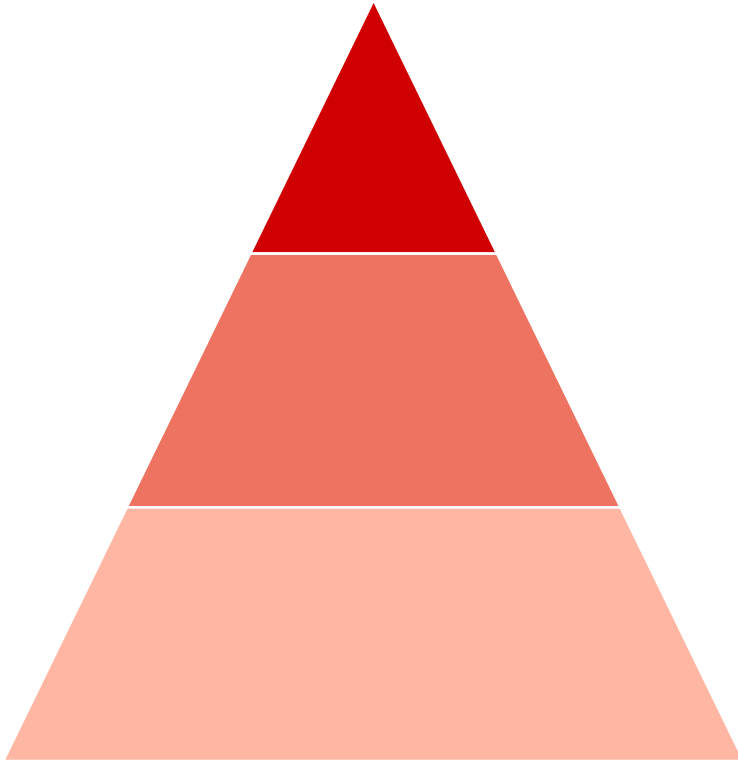


The Tech Crackdown

AI Regulation

Structure

**Hierarchy**



Process

**Volatility**



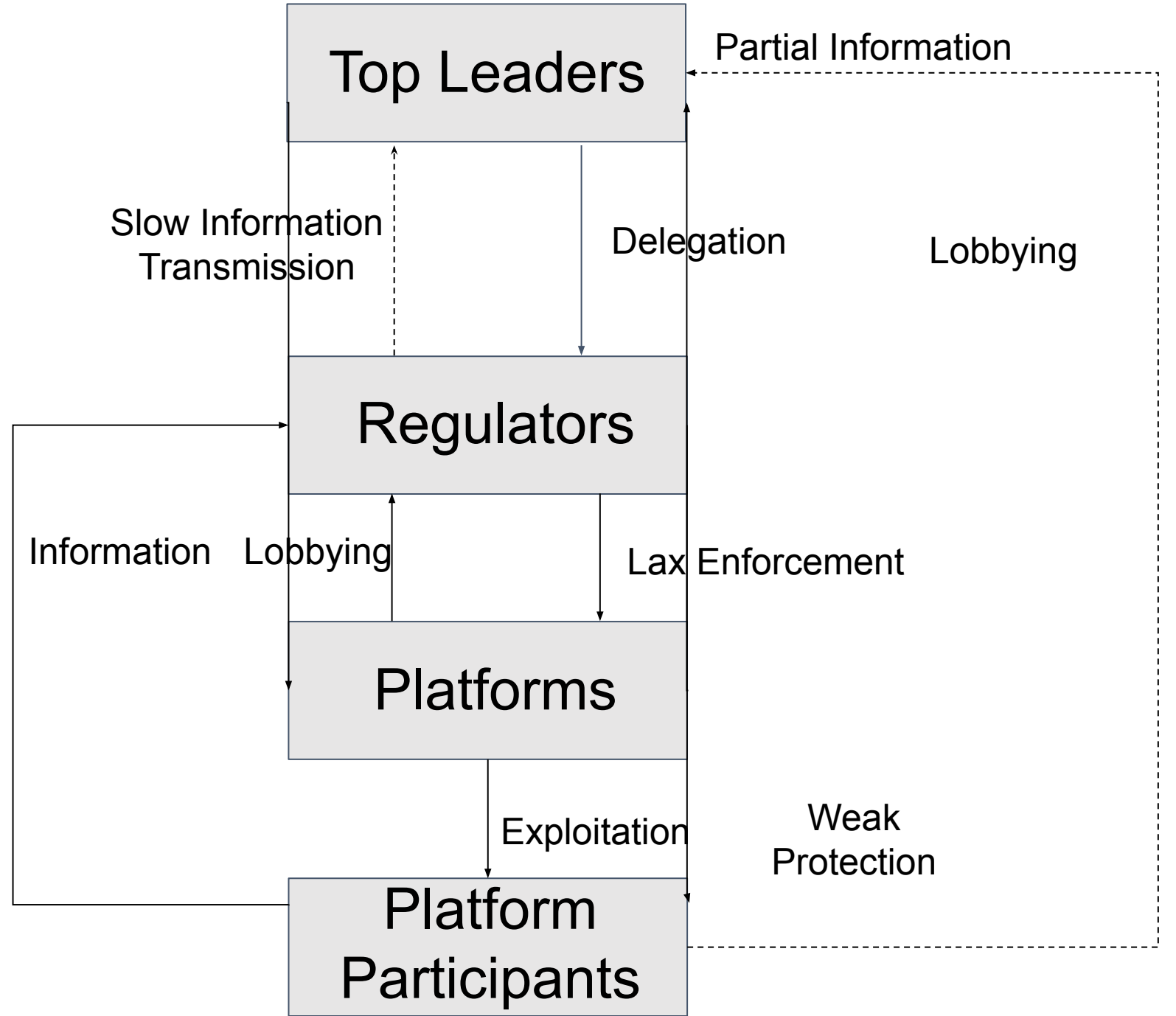
Outcome

**Fragility**



# Stage 1: Lax Enforcement

Encourage  
Entrepreneurship





# Tipping Point



## China's Regulatory War on Ant

Mar 12, 2021 | ANGELA HUYUE ZHANG

*Chinese fintech conglomerate Ant Group has quickly grown into an internet titan, owing not only to regulatory lag but also to its agile adaptation to rule changes. But recent strong official criticism of the firm, coming on top of the suspension of its IPO, suggests that the country's regulators have finally caught up.*

**H**ONG KONG – Ever since Alibaba founder Jack Ma criticized Chinese financial regulation in a speech last October, a regulatory storm has pummeled the country's entire online financial and consumer sector. The Shanghai Stock Exchange suspended the planned initial public offering of fintech conglomerate Ant Group – an Alibaba affiliate – just two days before its launch, and regulators subsequently launched a massive crackdown on Chinese Big Tech. While Ma's speech appears to have been an unforeseeable random event, the logic of Chinese bureaucratic politics made Ant's IPO debacle inevitable.



# Ant Group's Ecosystem

Digital Payments &  
Merchant Services



Digital Finance Technology

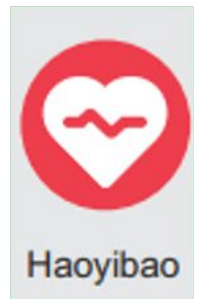
CreditTech



InvestmentTech



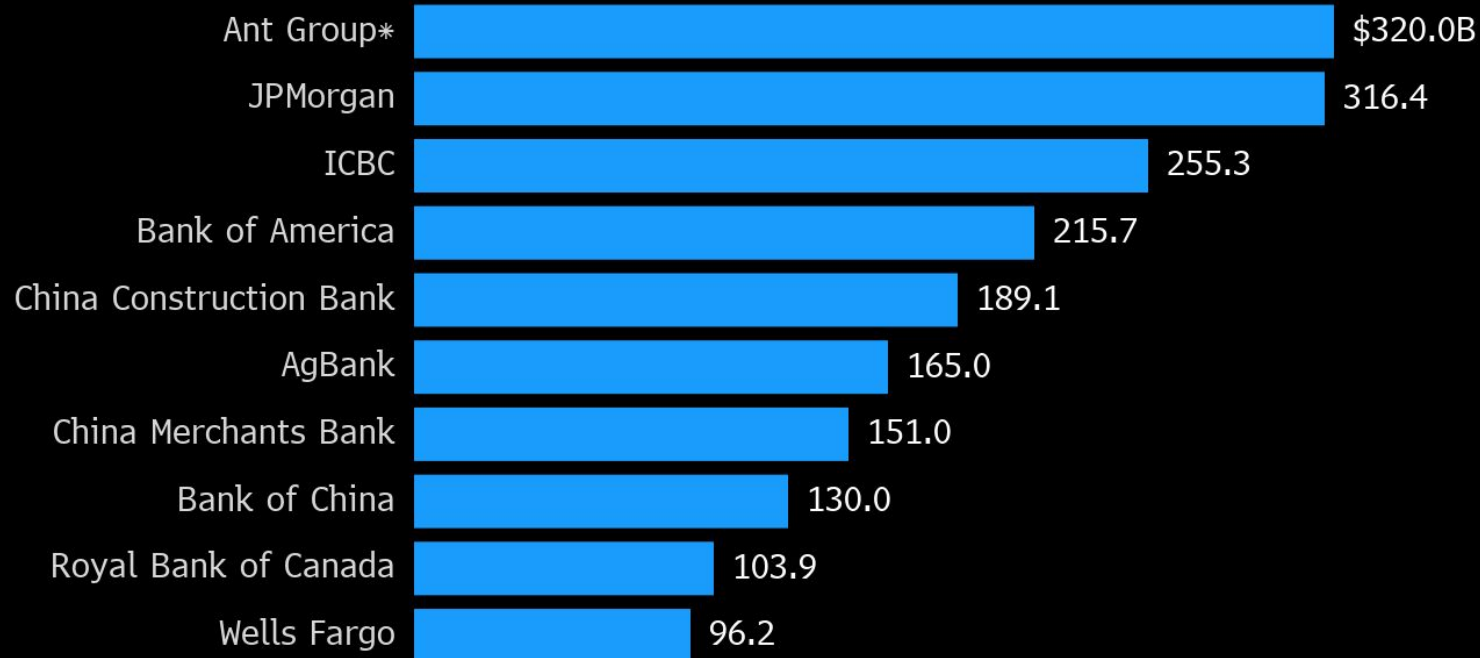
InsureTech



# Systematic Risk

## Rising Fortunes

Ant Group's record-setting IPO puts it in the top echelon of global financial firms

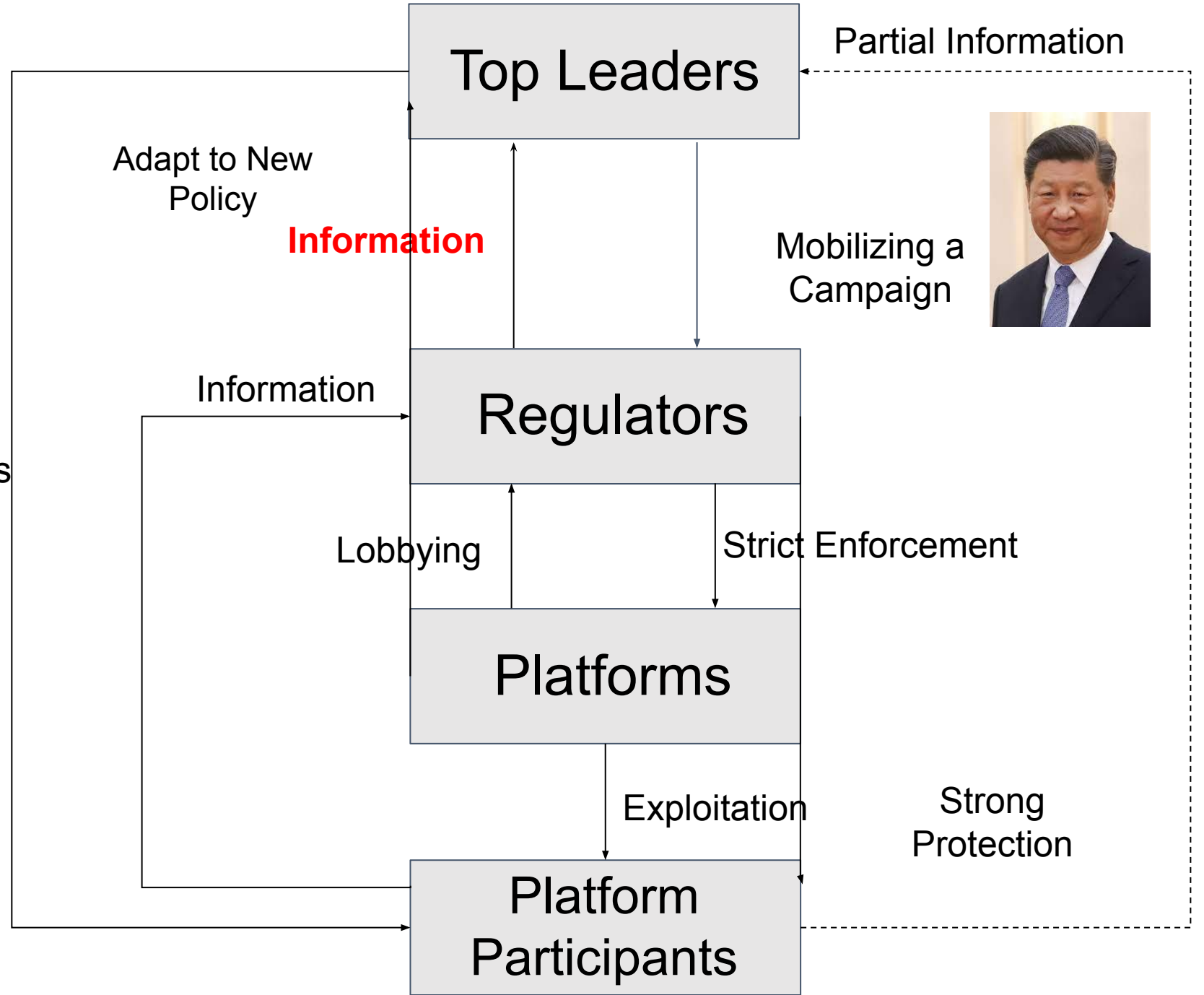


Source: Bloomberg

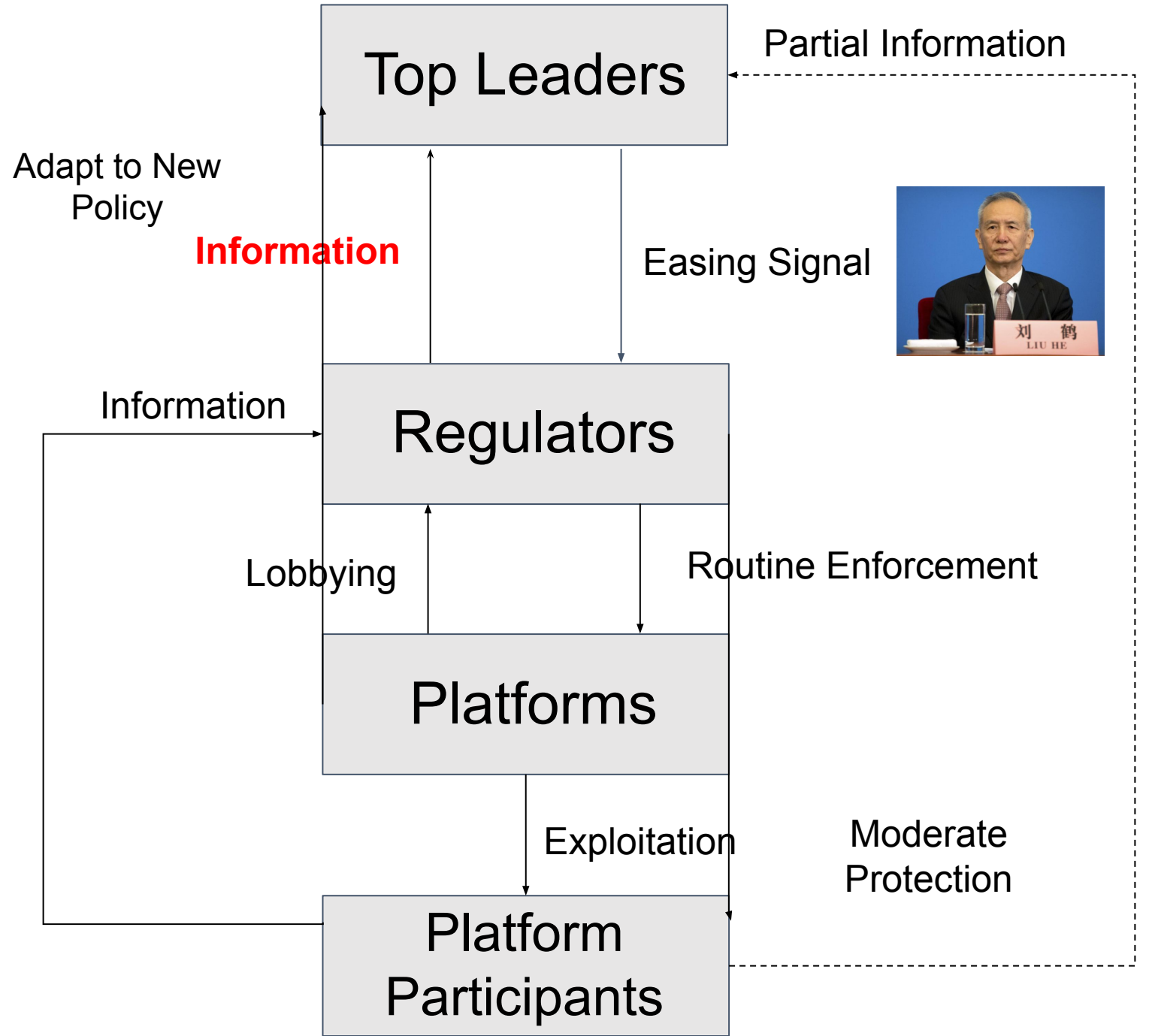
Note: \*Ant's market valuation could reach nearly \$320 billion if it exercises its Hong Kong and Shanghai greenshoe options.

# Stage 2: Strict Enforcement

Cultivating Mass  
Support

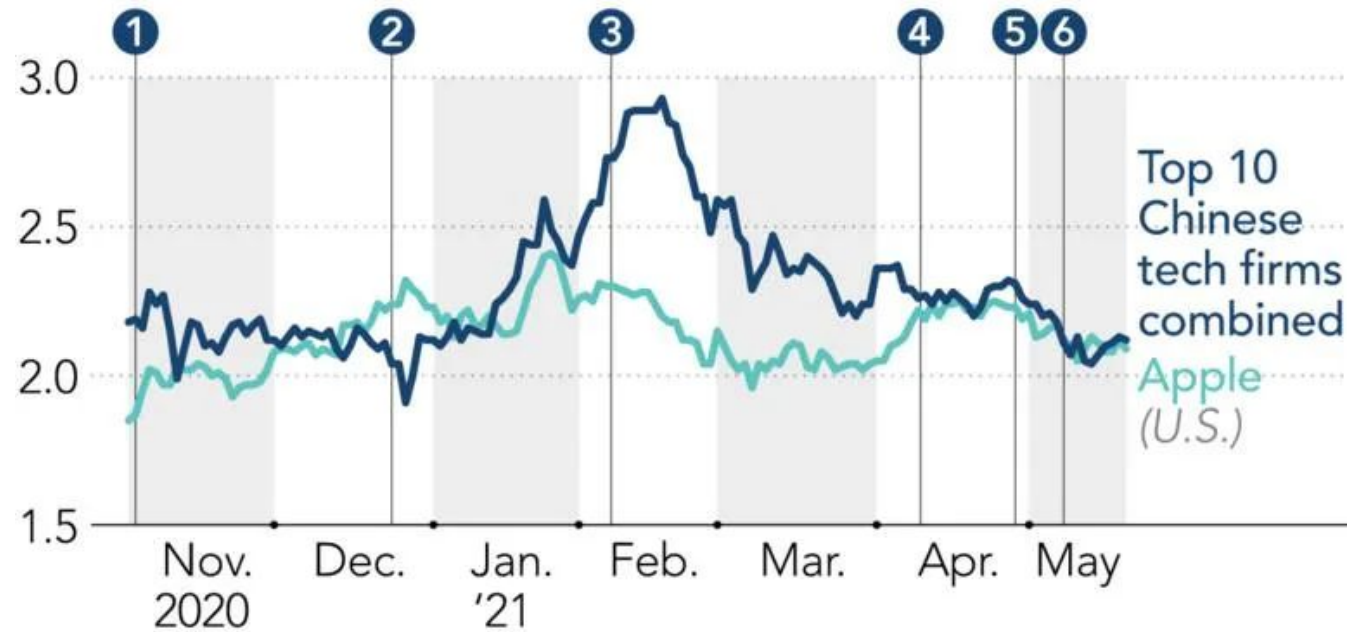


# Stage 3: Regulatory Easing





## Market caps of Chinese IT, high-tech firms plunge due to crackdown *(In trillions of dollars)*



- 1 Ant Group delays IPO
- 2 Antitrust regulators investigate Alibaba's head office
- 3 China announces new antitrust guidelines
- 4 China fines Alibaba \$2.8 billion
- 5 Financial regulators issue instructions to Tencent and 12 other online firms
- 6 Internet regulators instruct firms such as Alibaba and Tencent to correct operations



# China's Golden Tech Grab

May 19, 2022 | ANGELA HUYUE ZHANG

*The authorities' effort to discipline Chinese tech firms over the last 18 months has been clumsy and highly costly, featuring a raft of opaque and unpredictable regulations. But the approach the government seems poised to replace it with is not much better.*

**H**ONG KONG – Hopes are rising that China's embattled tech giants will finally get a reprieve from the severe legal and regulatory crackdown that has wiped out over [\\$1.5 trillion](#) of their shares' value. Amid mounting challenges to economic growth, some Chinese government officials have signaled a possible shift to a new [strategy](#): the acquisition of a 1% equity stake – or a so-called golden share – in major tech firms. But will this approach really brighten the outlook for China's tech industry?



# China Finalizes Internet Antitrust Rules in Just Three Months

WORLD | ASIA | CHINA

## China Passes One of the World's Strictest Data-Privacy Laws

China's once-freewheeling internet faces new rules protecting personal data, as the world's largest online population awakens to privacy concerns

## Significant Changes to China's Anti-Monopoly Law to Take Effect in August

Structure

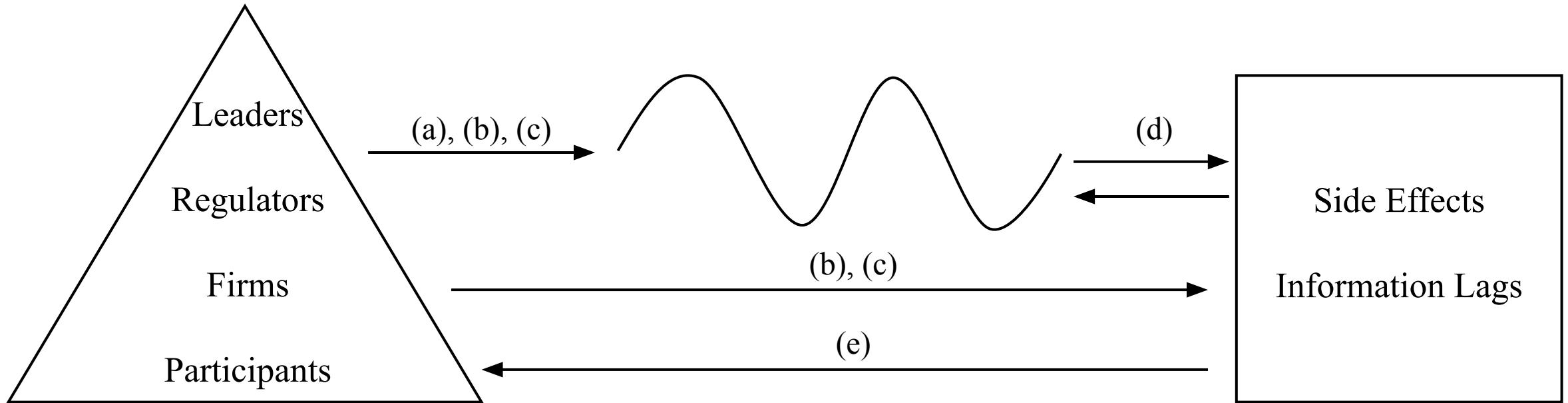
Process

Outcome

**Hierarchy**

**Volatility**

**Fragility**



- (a) Adaptability of leaders
- (b) Lack of checks and balances
- (c) Inefficient information transmission

- (d) Business and investor risk-aversion
- (e) Private retreats and state advances

# China's Regulatory Ambition

BUSINESS | ASIA

## China, a Pioneer in Regulating Algorithms, Turns Its Focus to Deepfakes

Beijing is among the first governments to regulate hyper-realistic, AI-generated media

By [Karen Hao](#) [Follow](#)

Jan. 8, 2023 7:00 am ET

## China Moves to Censor AI

New rules would hold companies like Alibaba, SenseTime responsible for subversive content produced by their bots

By [Raffaele Huang](#) [Follow](#)

Updated April 11, 2023 11:26 pm ET



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# Apple removes over a hundred ChatGPT-like apps in China as tighter regulations set to take effect

# HIGH WIRE



How China Regulates  
Big Tech and Governs Its Economy



ANGELA HUYUE ZHANG

# The Expressive Powers of Law

Signalling

Coordination



## A Strong Pro-Growth Signal

- Narrower Scope
- Laxer requirements



# The “Whole of Society” Mobilization



REGULATORS



INDUSTRY  
PARTICIPANTS



DATA &  
COMPUTING  
RESOURCES



STANDARD  
SETTING



LOCAL  
LEGISLATIONS

# The “Juguo” Approach



**[www.angelazhang.net](http://www.angelazhang.net)**