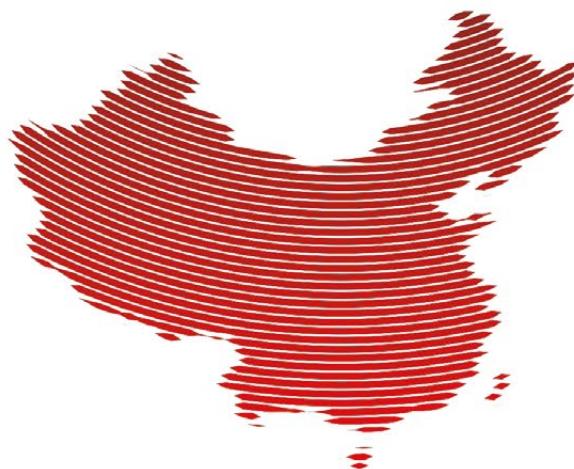


# Focus on China Tech regulation



Featuring interviews from:

## Graham Webster

Researcher and editor in chief  
of the DigiChina Project at Stanford University

## Florence Graezer Bideau

Sinologist at EPFL's College of Humanities  
and the Politecnico di Torino

Written by Lionel Pousaz

design: blaise Magnenat  
images: Shutterstock

# China is reshaping its tech industry.

## *Will it reshape the world?*

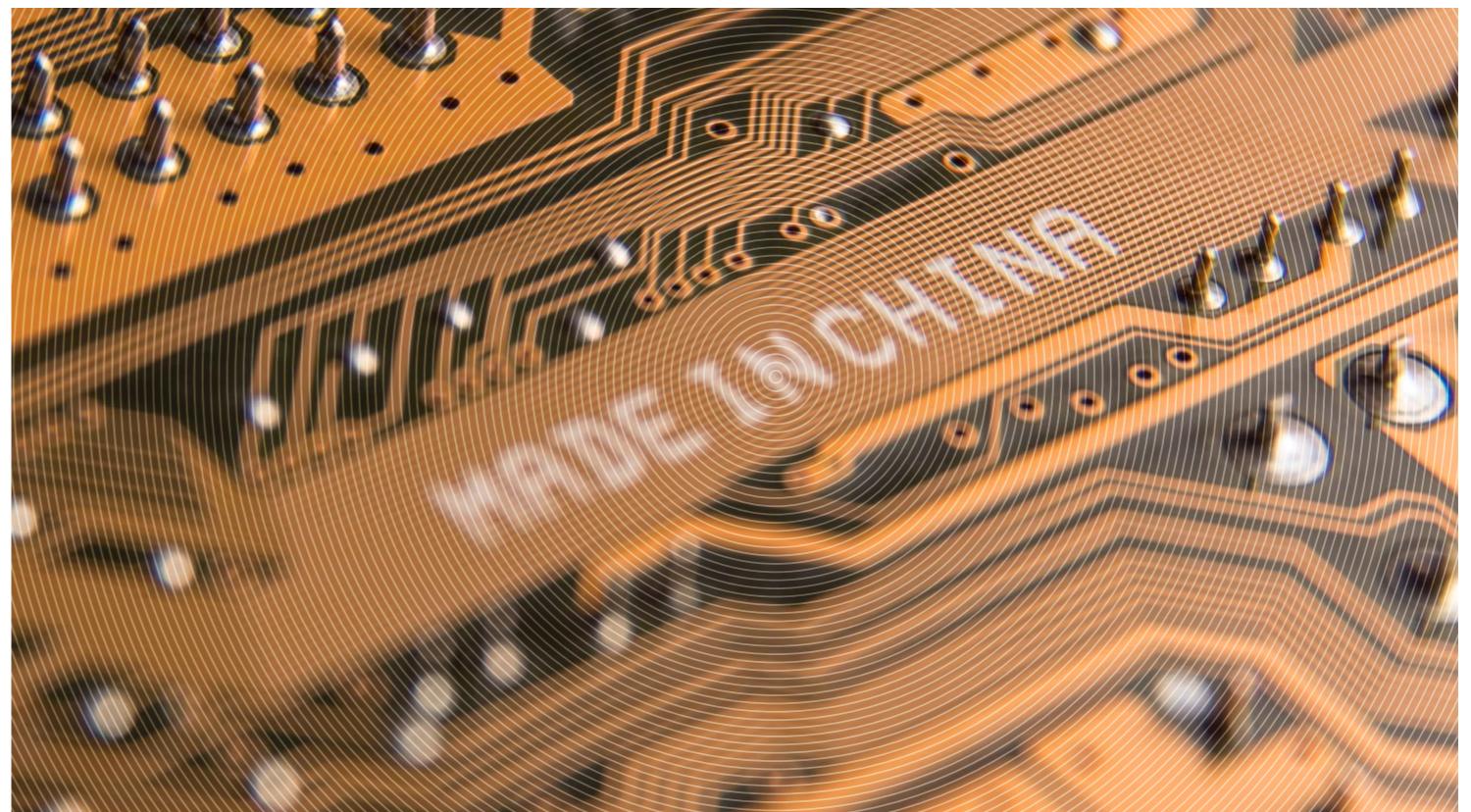
This summer, Beijing has been tightening up its regulation of tech companies. Sometimes unprecedented, such moves are likely to bear long-term geopolitical consequences and affect global innovation. They have already impacted financial markets. Pundits have also speculated how it might influence European and American regulations, while others expressed concerns that Beijing might set up new standards for authoritarian regimes around the world.

We asked two experts, sinologist Florence Bideau (EPFL, Switzerland) and political scientist Graham Webster (Stanford University, USA) to share their insights on China's crackdown on its tech industry. Before we leave them the stage, here is a brief press review covering the regulatory measures that China has been taking or contemplating during the last months and weeks:

- **A five years plan of tighter regulation.** On August 11, Beijing has unveiled a plan [Financial Times] outlining the future regulation of tech companies. It emphasizes national security and the need to tackle monopolies and "foreign-related rule of law" among tech companies. It aims at regulating internet finance, AI, uses of data, and cloud computing.
- **An attack on "celebrity culture".** In August, the Chinese government has taken measures to control celebrity worship [New York Times], described as exerting a pervasive influence on the youth's mind. Social media sites have removed references to several actresses and singers, and video platforms have canceled shows in order to draw "a clear boundary on unhealthy tendencies in the industry."
- **A state-backed cloud.** The Chinese government is scaling up its public-owned cloud services [South China Morning Post], suggesting it might take over parts of the business from the private sector. In early August, the city of Tianjin (14 million inhabitants) ordered all companies under its control to migrate to the state-run system. The Chinese cloud industry is closed to foreign companies. Its most prominent actors are Alibaba, Tencent, and Huawei.
- **Oversight of algorithms.** On August 27, the Cyberspace Administration of China issued a series of draft guidelines [DigiChina] allowing authorities to inspect algorithms [TechCrunch] developed by companies to drive their business. Presented as a consumer protection measure, it aims at preventing the use of technology to lure users into spending large amounts of money.
- **Crackdown after an unauthorized American IPO.** On June 30, China's leading ride-hailing app, Didi Chuxing, was introduced on the New York Stock Exchange despite Beijing demanding a delay. The Chinese government immediately banned new customers from signing up. Didi shares have since then fallen more than 40% [Financial Times].
- **Foreign listing ban.** China has plans to ban domestic companies with sensitive data to get listed in foreign stock exchanges, according to an anonymous source [Wall Street Journal] revealed on August 27. Such intention might follow Didi's IPO (see above). There are currently +240 Chinese companies listed on US exchanges, representing a market cap exceeding 2 trillion dollars.
- **E-commerce under pressure.** Chinese online selling platforms have been imposed record penalties [CNBC] in 2021. In April 2021, Alibaba was fined a 2.75 billion dollars fine for barring its vendors to sell on rival platforms. More recently, JD.com was convicted for promoting false information about food products. China seems willing to enhance worker's protection in this sector.
- **A crackdown on sharing economy.** On August 30, Beijing said it will increase oversight [Reuters] of online platforms allowing consumers to share access to goods and services. Bike-sharing represents the main sector of today's Chinese sharing economy.

# “Governments around the world will look at China when designing their own tech rules.”

**Graham Webster** is a researcher and editor in chief of the [DigiChina Project](#) at Stanford University. He leads a network of specialists to produce analyses on China's digital policy developments.



**China's recent regulatory steps toward the tech industry have been largely reported as unprecedented and unexpected in the West. Is it really marking a new direction?**

Graham Webster: These steps were not so sudden and unexpected, there has been a fairly good amount of regulation for a long time. But the last months stand out because of two simultaneous trends. On one hand, the regime's cybersecurity laws are coming to completion. It has been years in the making and should come as no surprise. I would even argue that it has been ongoing since the 2014 founding of the Chinese Cyberspace Administration. On the other hand, this completion coincides with the targeting of certain tech companies, such as Alibaba and Didi, because they infuriated the government. Here, there is an element of typical authoritarian governance style. But this too is nothing new. Didi, for example, went ahead with an IPO in the New York Stock Exchange while the Chinese government had told them to delay. Not only that, they did so one day before the 100th anniversary of the Communist Party. Any intelligent person navigating the Chinese governance should know that you don't want to mess with the regime on the party's big day. This kind of event is very different from the conclusion of a legislative project that has been ongoing for years.

**The crackdown has been widely reported as a demonstration of power from an authoritarian government. Is it different from what you could expect in Europe or the United States?**

First of all, I am not even sure there was a crackdown, this might not be the right term. The Chinese form of government is authoritarian in nature, so any exercise of state power happens under an authoritarian baseline. But in these recent moves, several important elements seem to be about data security and personal data protection, as well as preventing machine learning-based discrimination against consumers. These elements are not related to the question of the nature of the government. The Chinese Personal Information Protection Law is structured around notice, consent, purpose, and limitation. These principles also core to most international data governance principles, including the European ones.

**Amid recent measures, the oversights of tech companies' foreign IPOs and algorithms have been widely discussed as particularly disruptive in geopolitical terms. Do you agree with these concerns?**

When it comes to the listing of Chinese tech companies on foreign markets, I think Beijing essentially wants to have a regulatory check regarding what it views as a security issue. In itself, it shouldn't be such a big deal. But it certainly disrupts investor's trust in the current crop of Chinese IPOs. This mistrust does not align very well with what the communist party seems to want. They appear quite motivated to remain an international player while strengthening their domestic economy. Regarding the oversight of algorithms to protect consumers, it is hard to tell what difference it is going to make in the short term. But that initiative goes further than other jurisdictions. It means that China's initiatives will be reviewed internationally as an example, just like the European GDPR. In other words, governments all around the world are going to think about the Chinese example when designing and enforcing their own rules.

**Some even think that there will be a switch of tech regulatory leadership from Brussels to Beijing. Do you share this view?**

You can't simply look at it as "one nation leads and the others follow". If China is indeed going further, it does not mean that it is taking the leadership. One could even see the European influence behind China's regulation since the GDPR had an enormous influence on how Beijing constructed its own data rules. Also, I don't think that democracies will follow the Chinese ways. But they may definitely learn from it.

**There is often an underlying assumption in Western reporting, where China is using technologies to promote authoritarian governance and undermine democracies on the international scene. Do you think it plays a role in how we understand these recent events?**

You are very right to notice that. A lot of the news coverage and punditry rely on a big assumption about China, developing a unique model of governance called digital authoritarianism, and that it may spread and weaken other models, including ours. This assumption is based on several problematic ideas. One is that the Chinese government is getting more repressive because of its use of technology. This is not clearly established. Indeed, the Chinese regime is becoming more repressive, and that coincides with a period in which it is rapidly adopting new technologies. But to say that one is causing the other requires more evidence. In some cases, the repression is being done with the help of digital technologies, but you still need the state to intend to be repressive in the first place. Technologies are present in many other states that are using them with different postures regarding human rights and civil liberties. We sometimes see democracies violating civil liberties with technology as well. But a democratic state with good due process protections will generally not get anywhere near the level of the Chinese regime's abuses. So, is technology the cause of abuses? Or do we just have an authoritarian regime that is growing more repressive, while democratic regimes such as ours are struggling with their own questions around security versus liberty? The idea that technology is in itself causing erosion of human rights is a scary hypothesis, but it has not been well examined yet.



# “China intends to fill the void in a world characterized by a vacuum of values”

**Florence Graezer Bideau** is a sinologist at EPFL's College of Humanities and the Politecnico di Torino. She works at the crossroad of anthropology, history, and innovation policies to understand the relations between culture and power in contemporary China.



**From a cultural point of view, one of the most striking examples of China's regulatory measures was the attack on social media's “celebrity culture”, widely described as a pervasive Western influence. How do you explain it?**

Florence Graezer Bideau: China's celebrity culture is indeed increasing with the rapid development of creative industries. It is now something they share with the West. The real difference lies in China's strong tradition of role models. During Mao's era, the communist party imported the soviet model of the mine worker hero Stakhanov with Wang Jinxi, known as the Iron Man. The population was expected to identify with him and to learn from him. In each district, you had a model worker, a model teacher, a model leader who were supposed to drive the population to higher moral standards. That goes alongside a long tradition of what anthropologists call the “civilization process”: it is about promoting behaviors, values, and norms to shape citizens. The problem is that celebrities nowadays propose values that are not necessarily in line with what the state would like to instill. Some celebrities were recently attacked for sexual harassment, fans clubs argue on the internet using foul language. For Chinese authorities, this is unacceptable. In the West, it is common for artists to display unorthodox discourse and practices, much less so in China.

**You mentioned the USSR as a starting point for Chinese role models. Does this mean that models are mostly a thing for the communist party, or do they have a deeper connection with the country's history and culture?**

The Chinese Communist culture was very much influenced by the USSR, including with the political use of models, but it has indeed more ancient roots. For example, the Chinese educational tradition relies on the idea of intellectual masters teaching to disciples, like Confucius, whose philosophy is at the core of Chinese culture and society. The communist party has built on this heritage.

**Another significant regulatory measure was the oversight of algorithms by online marketplaces, to prevent citizens from being lured into spending too much. Does the Chinese government usually intervene in consumer matters?**

Right now, this issue seems an important one to Beijing. The government is trying to promote its domestic economy. With covid, people couldn't leave the country and spend their money abroad. The communist party realized that too much was spent outside China, while their domestic economy was not as strong as it used to be. The government seeks to promote new lifestyles involving local products and local

culture. This is as well part of a shaping civilization process, with the development of policies related to social engineering devices that should have concrete effects on the behavior of consumers. In such a context, it is not surprising that the government wants to limit the influence of selling platforms.

**A common assumption is that China harnesses tech companies to export its political system. Do we have good reasons to think that Beijing has such intentions in the first place?**

If you allow me, I will go back in history. China, or Zhongguo, means the Middle Kingdom or Central state. During Imperial China, the Chinese model of ruling was diffusing in Korea and Japan, as well as in East Asia. The culture was dominated by a strong sinocentrism, which is an ethnocentric vision considering China as a cultural, political, and economic world center. This convinced Chinese that their government model was the right one. Since 1949 and the creation of the People's Republic of China, sinocentrism has grown strong again, even if it remains confined to the national territory. But the multiplication of cultural centers abroad, such as Confucius Institutes in the 2000s, reflects a new soft power approach intended to spread Chinese norms and values.

It goes alongside the development of infrastructures such as dams, bridges, and highways, as well as economic acquisitions in many countries. The Belt and Road initiative is a relevant illustration of such a policy aiming to diffuse new norms and standards. In our current world, characterized by a sort of vacuum in terms of values, the Chinese government intends to

fill the void. Look at Afghanistan, for example. When the US left, China was extremely careful in its statements about Taliban, because they have a card to play there. Nowadays, Beijing is definitely exporting its economic power, but is it really imposing its governance model? It is too early to tell.

**What role could the tech industry play in China's international self-promotion?**

China is promoting its national leading tech brands abroad such as Huawei, Alibaba, TikTok, and Tencent, during international mega-events. It was surprising to see so many of them during the Euro foot 2021, for instance. This advertising is part of China's public diplomacy and nation branding strategy. It sends an unequivocal message: today, China presents itself as a high-tech nation. During Mao's era, several campaigns were launched to develop the infrastructure and modernize the nation, but they failed to change the image of the country. It changed with the economic reforms initiated by Deng Xiaoping. More recently, the Made in China 2025 policy towards IT development was promoted across the country, and it had a significant impact on the economy and society. China is now promoting this powerful and innovative tech industry abroad. By doing so, it is clearly playing a role that the US used to play in the past.

