na's Tech Crackdown: Why Now?

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China's recent crackdown on its tech giants brings to fore memories of Chen Yun's 'bird in a cage' proposition from the years post the disastrous Great Leap Forward. The debate on whether China pursues socialism with Chinese characteristics or whether it is appropriate to call it capitalism with Chinese characteristics has been a long one and is all about the relationship between the bird which stands for the market and the cage which stands for state regulations. Ever since Deng Xiaoping introduced market-oriented reforms from 1978 onwards, a lot of Chinese people, using market forces, were able to better their standards of living and even pull themselves out of the poverty characterized by the Mao Zedong era. However, this did not mean that the governance system also changed in line with the economic reforms. The Communist Party of China (CPC) retained the dominance in the political system, ensuring state control over all facets of life in China. However, post the reforms, industry in China could be considered free as opposed to what it was a few years ago. In fact, internet giants like Alibaba and Tencent became proofs of the great economic potential of China's global rise. This became possible only because for the longest time Beijing allowed a lot of its companies, and definitely its big tech companies, to grow unchecked. Nevertheless, in the face of the recent crackdowns on China's tech companies, similarities with the controls on industry during the Mao era become stark.

On July 29, 2021, China's Ministry of Industry and Information Technology announced a six-month campaign to regulate internet companies. The reasons cited behind this announcement was the necessity to target practices that disrupt marker order, damage consumer rights or threaten data security. Fines were imposed on tech giants including Baidu, Alibaba and Tencent, while Didi was pulled from Chinese app stores and barred from registering new users. Additionally, another agency levied anti-monopoly fines against Didi and other tech companies over mergers and acquisitions over the past decade. The question that arises here is why are the fines for mergers for over the past decade being levied now? The effect of the crackdown is visible as companies rush to toe the tweaked rules. ByteDance, the owner of TikTok which was reportedly considering an overseas IPO, put its plans on hold after meetings with Chinese regulators, in which they were warned about data security. The peculiarity about the emphasis on data security in the conversations between Chinese regulators and ByteDance stand out; because China had raised a hue and cry, when India, in a bid to ensure data security had banned Tik Tok last year. Nevertheless, China itself now issues new regulations and asks the company to adhere to standards of data security. In any case, the message has been understood well by companies, which do not want to avoid the kind of fate Alibaba's Jack Ma had early this year when he disappeared post his wrangle with Chinese authorities over regulatory issues.

The reason as to why internet giants could rake in huge profits, which propelled China's growth rates and helped it ascend the ladder of international relations is that the 'bird' as Chen Yun had stated had been freed from the 'cage'. However, in 2021, we see a retreat of the 'bird' to the 'cage'. One of the reasons behind the emergence of these sudden sweeping regulations is the upcoming 20th Party Congress, in which there is a need to display that Xi Jinping wields ultimate command and control over all aspects of Chinese governance. Due to China's handling of the pandemic, the loss of lives in 2019-2020, the arrest and subsequent death of Dr. Li Wenliang and other medical practitioners due to - all of whom had tried early on to inform the public about the new strand of the virus, icing dissent online, the economic downturn for a prolonged time period after the onset of nic, last year's emergency enlarged meeting of the CPC's Politburo to discuss Xi Jining's it, demands made by academics like Xu Zhongrun, Xu Zhiyong, Zhang Xuezhong and Yu eChat that Xi step down, the handling of this year's floods in Henan and the subsequent residents of Henan to the ones who lost their lives in the floods – all of these indicate strains on the Chinese leadership. And then there are influential business magnates like ho challenge regulations – which might lead other enterprises to do the same.

In order to ensure that more Jack Mas do not challenge the system at a point of crisis, it becomes pertinent right before the 20th Party Congress takes place that the state extends its control over tech giants. In addition to this is the fact that Jiang Zemin's grandson Jiang Zhicheng had shares in the Ant Group. Last year in 2020 itself, Ant Group's initial public offering (IPO) was quashed, and the reasons stated were that the group was adding risk to the financial system. To begin with Xi was furious at Jack Ma for criticising his signature campaign to strengthen his financial oversight. Well connected and powerful Chinese individuals apparently had stakes in the firm, including some with links to political families that represent a potential challenge to Xi and his inner circle. In addition to Jiang, Li Botan also stood to gain from Ant's IPO. Botan controls the Beijing Zhaode Group and it invested in Ant through three layers of investment vehicles. Li is also the son in law of Jia Qinglin, a senior leader who had served on the top Politburo Standing Committee for ten years till 2012.

Thus, when Ant's IPO was blocked last year, it became clear that the concerns were more than just what was stated of financial impropriety. The shareholders were all prominent figures in Chinese politics – people whose power and influence needed to be controlled. Criticisms of Xi had begun in March 2018 itself when the term limits for top posts were abolished allowing Xi and ones close to him to stay in office beyond the accepted retirement age. Fears emerged that this signalled a return of the one man rule as was the case under Mao Zedong. A large number of serving and retired party members and cadres who suffered the horrors of the Great Proletarian Cultural Revolution attest to the fact that a one-man rule can spell utter disaster for the country and human lives. However, the changes were made, and the murmuring criticisms remained.

In 2020-21, in styles reminiscent of Mao Zedong's governance in the pre-reform China, Xi Jinping has once again increased the arm of the state and is now putting the bird back in the cage. While a move away from Mao's 'politics in command' to Deng's 'economics in command' greatly helped China, it remains to be seen how Xi's retreat to Mao's tenets affects China; whether tenets applied till the 1970s can work in the internet era of today or not. Thus, these crackdowns before the 20th Party Congress to be held in 2022, which has potentials to completely shake up the top echelons of Chinese politics become pertinent to be observed.

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