

# Five Themes Impacting the Chinese TMT industry in 2021

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Today, leaders of global TMT companies face complex business and geopolitical challenges, as well as an evolving regulatory environment that is impacting everything from corporate strategy, technology innovation, to customer and supply chain management.

Looking ahead in 2021, we identify five themes impacting the Chinese TMT industry: the rise of U.S. China techno-nationalism, increased regulatory pressure on Big Tech around anti-monopoly and data privacy issues, "The New Normal," focus on digital transformation and technology infrastructure buildout, and ESG as an urgent business imperative.

## Five Themes Impacting the Chinese TMT industry

### THEME ONE:

U.S.-China techno-nationalism and the decoupling of innovation

### THEME TWO:

Tightening scrutiny of big tech around anti-monopoly & data practices

### THEME THREE:

"The New Normal"

### THEME FOUR:

Digital transformation and technology infrastructure buildout

### THEME FIVE:

ESG as an urgent business imperative



## THEME TWO

# Tightening scrutiny of big tech around anti-monopoly & data practices

After a relatively lax two decades which saw the explosive growth of the Chinese technology industry, the Chinese regulators are tightening scrutiny. A record US\$2.8 billion (RMB18.2 billion yuan) fine imposed on Alibaba, which represents four percent of Alibaba's 2019 domestic sales, Chinese regulators also ordered 34 local tech firms including Pinduoduo, JD.com, Kuaishou, Bilibili and Didi to conduct a 'comprehensive self-inspection' within a month.

The recent crackdown on Chinese Big Tech like Alibaba, Tencent, and Baidu is part of a broader push to rein in, using an antitrust regime only instituted in 2008, large digital platform companies which have over the years fundamentally changed Chinese consumers' behavior, and the way people pay and borrow money. In fact, the critical market infrastructure built and owned by large technology companies is perceived to carry the risk of upending the Chinese banking and finance system.

In November 2020, China's competition authority, the State Administration for Market Regulation ("SAMR") issued Antitrust Guidelines for the Platform Economic Industry and opened them to public consultation. In February 2021, just three months after starting the public consultation, the State Council finalized a set of antimonopoly rules targeted at China's homegrown technology giants. This also signals that SAMR strengthened its antitrust enforcement in the Internet platform sector, the entire ecosystem of businesses and economy centered around the internet has been potentially and significantly affected. The rules, although softened from the first draft, took a hard stance on practices deemed monopolistic, such as abuse of market dominance and concentration of undertakings.

At the same time, the Chinese government has also made strides to control the practices around consumer data collection and data privacy by private sector companies. In October last year, the NPC released a first draft of the Personal Information Protection Law (PIPL) for public comment. The PIPL coordinates and unifies what is currently a patchwork of local and regional privacy laws and is seen as China's answer to the EU's General Data Protection Regulation. While still in deliberation, the PIPL may be passed soon after one or two readings. It sets out seven principles of data protection and would give consumers ownership over their own data. The impact to business would be significant – any company, domestic or foreign, collecting the personal data of Chinese citizens would be subject to this new law.

Both Chinese companies with foreign operations and multinational firms with a presence in China must ensure that their operations stand up to fresh scrutiny. Corporates should step up transparency on sensitive issues around governance, principles, and practices. Companies would be much helped by a strong narrative that emphasizes transparency on policies surrounding antimonopoly practices or how data is collected and used. They must also ensure their operations are compliant and aligned across the patchwork of still-developing privacy and antimonopoly regulations to avoid being caught up when least expected.

## THE AUTHORS



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Cynthia is the Asia lead for the firm's global technology, media, and telecoms (TMT) group, investor engagement and ESG practices, helping corporate leaders navigate stakeholder communications amid significant geopolitical change. Her razor-sharp strategic communications skills have been honed over two decades in the global TMT industry as an investment advisor, senior publishing equity research analyst on Wall Street and strategic management consultant. She has experience advising clients throughout Asia and has also served as a lead sell side research analyst on multiple IPOs for Chinese technology and internet companies in the US and Hong Kong. Cynthia has significant insight and understanding of most Asian equity institutional investors. Cynthia joined Brunswick from Credence Investment Holding, a firm she founded to advise high-potential technology entrepreneurs.



**Hua Li**  
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Li Hua joined Brunswick in 2021 with a focus on M&A, anti-monopoly and competition, outbound investment, export control and sanctions, and public affairs.

Prior to joining Brunswick, she was a partner at two international law firms. She started her career in government at the Ministry of Foreign Trade and Economic Cooperation (now the Ministry of Commerce) in Beijing before becoming Deputy Director of Foreign Trade at the former State Commission for Economy and Trade (SETC).

Li Hua has experience in handling complex international issues and investment disputes, including WTO-related affairs and international trade remedies and has advised well-known multinational companies in their investments in China across consumer, telecoms, oil & gas, industrial and car manufacturing sectors. She has also assisted Chinese state-owned enterprises and private companies in their outbound investments.

She acted as legal advisor in the first WTO dispute with the United States in the WTO Panel and has advised more than 3,000 European companies in the anti-dumping and anti-subsidy procedures initiated by MOFCOM against wine originating from the European Union (EU).

Li Hua is an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC) and a board member of the International Board on Economic Regulations (IBER) initiated by the Foundation for Civil Law.



**Fiona Wright**  
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Fiona has more than 15 years' experience in government and public affairs with a particular focus on financial services, trade, and economic affairs.

Prior to joining Brunswick in 2016, she spent four years at another Brussels consultancy covering EU financial services for a range of buy-side and payment services clients. Between 2004 and 2012, Fiona worked in a range of roles at the UK Treasury, latterly as a seconded national expert at the European Commission's Economic and Financial Affairs DG. Fiona has a Ph.D. in Political Science from the University of Florida where she won a Research Fellowship at the Brookings Institution in Washington, DC (1998-99). Fiona started her career as an Assistant Professor of Political Science at the University of Wisconsin (Milwaukee) in 2000 including a year-long secondment in Washington, DC as a legislative assistant in the office of a U.S. Senator (2001-02).



**Robert Moran**  
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Robert leads Brunswick Insight, our global public opinion, market research and analytics function with research teams in New York,

London, Washington, Dubai, Beijing, Hong Kong, San Francisco, Munich and Dallas.

Brunswick Insight provides intelligence for market-moving decisions by combining experienced, data-driven counsel with an emphasis on rapid research and analysis. Brunswick Insight converts research into strategic advice for communications programmes and campaigns.

Robert was previously President of StrategyOne's US operations, Edelman's strategic research consultancy. Prior to that, Robert was Vice President at Fabrizio, McLaughlin & Associates. He began his career at political polling giant Public Opinion Strategies.

Robert is a Partner in the Washington office. He is a published thought leader and frequent speaker on trends in public opinion and market research and

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Nick leads Brunswick's employee engagement offer in Europe. He advises clients on the people implications of transactions, transformational changes,

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He helps organizations create an employee experience that attracts and retains great people, creating the conditions for them deliver the best work of their lives. He also advises on new ways of communicating with employees, connecting them with each other and customers; and how to create world-class communications functions.

Nick joined Brunswick from Edelman where he led the European employee engagement business and organization design offer. Before Edelman he was retail communication director for Lloyds Banking Group where he led communication for the successful integration of Lloyds TSB and HBOS. Before that he led the EMEA workforce engagement and change business of Mercer HR Consulting where he specialized in helping clients drive people performance during significant change. Nick's background is in financial services and management consulting.



**Pru Bennett**  
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Pru Bennett joined Brunswick Group in April 2019 following a career at BlackRock where she was a Managing Director and Head of Investment Stewardship

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Pru is an active participant in the public debate on corporate governance, stewardship and responsible investment and as such regularly speaks and writes on the importance of these issues for company performance and investment decisions. In 2018 Pru received the Asia Industry Leadership Award from 100 Women in Finance. In 2013, Pru was named as one of Australia's top 10 Women of Influence in Corporate Governance.

Pru is a director of Global Compact Network Australia and a member of a number of industry and regulatory bodies including Public Shareholder Group of Hong Kong's Securities and Futures Commission, the Monetary Authority of Singapore's Corporate Governance Advisory Committee, a council member of the Asian Corporate Governance Association, director of the International Integrated Reporting Council and a member of the Deakin University Integrated Reporting Centre Advisory Board.

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