U.S.-China Economic and Security Review Commission

Economics and Trade Bulletin

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Highlights of This Month's Edition

- **U.S.-China Trade:** In November 2020, monthly U.S. imports from China were $44.8 billion, a two-year high; U.S. goods exports to China were up 40.3 percent year-on-year at $14.1 billion; on the anniversary of the Phase One deal, China still behind on its purchase commitments.
- **EU-China Investment Agreement:** China and the EU have concluded in principle the negotiations for an investment agreement, which may complicate transatlantic cooperation on China.
- **Vaccine Diplomacy:** China's recent approval of a domestically developed COVID-19 vaccine could bolster its global soft-power campaign.
- **Stock Markets:** Additional Chinese companies expelled from U.S. stock exchanges and major investment indices as targeted U.S. sanctions program takes shape.
- **Chinese FDI:** DOJ announced further scrutiny of Chinese investments during 2020 in the face of pandemic-related challenges to the U.S. economy, though the results are unclear.
- **Fintech Crackdown and Trust Busting:** Chinese regulators intensified scrutiny of fintech and internet conglomerates, continuing to target entrepreneur Jack Ma's companies but pledging a wider crackdown in 2021.
- **In Focus – Central Economic Work Conference:** At the key economic planning conference, Beijing emphasizes monetary stability and fiscal sustainability in 2021, but also highlighted several emerging trends in China's economic policies, including new antitrust regulations and easing of fiscal and monetary stimulus.

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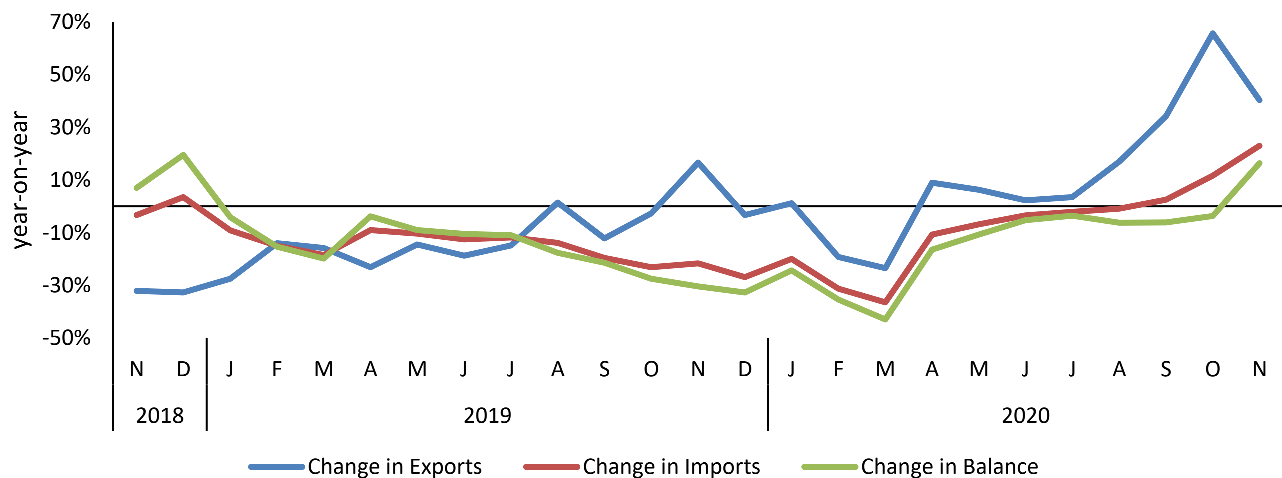
This issue of the Economics and Trade Bulletin *was prepared by Nargiza Salidjanova, Kendra Brock, Charles Horne, Kaj Malden, Leyton Nelson, Emma Rafaelof, and Taylore Roth. You may reach us at* contact@uscc.gov.

U.S. Trade in Goods Up but with Ways to Go to Reach Phase One

January 2021 will mark the first anniversary of the Phase One agreement, under which China made commitments to purchase significant additional amounts of U.S. goods in agriculture, energy, and manufacturing. The Office of U.S. Trade Representative has expressed satisfaction with China's fulfillment in 2020, noting that because the agreement entered into force in March 2020, sales for the year actually reflected just seven full months of sales pursuant to the agreement.[1] Estimates by Chad Bown, senior fellow at the Peterson Institute for International Economics, put China's purchases at $82 billion in covered goods through November 2020—far below the year-to-date target of $141.7 billion.[2] China must fulfill the remainder of its purchasing commitments in 2021 with nearly $118 billion in additional covered goods and services.[*] The future of Phase One (and a potential Phase Two) remains uncertain as an incoming Biden Administration has signaled that trade agreements will not be a first priority and it will keep current Section 301 tariffs levied against China in place.[3]

In November 2020, U.S. goods exports to China were up 40.3 percent year-on-year at $14.1 billion.[4] U.S. goods imports from China grew 23 percent year-on-year to $44.8 billion, marking the highest imports since December 2018 (see Figure 1).[5] The U.S. trade deficit in goods with China totaled $30.6 billion in November 2020, a 16.4 percent increase year-on-year.[6] The deficit increased from October by a modest 1.9 percent, but remained above the two-year monthly average deficit of $27.7 billion. Year-to-date, the U.S. trade deficit with China came to $283 billion, an 11.6 percent decline from $320 billion over the same period in 2019.[7]

Figure 1: Change in U.S. Exports, Imports, and the Trade Deficit with China, November 2018–November 2020



Source: U.S. Census Bureau, *Trade in Goods with China*, January 7, 2021. *https://www.census.gov/foreign-trade/balance/c5700.html.*

EU and China Reach Agreement in Principle on Investment

On December 30, 2020, the European Commission (EC) announced that the EU and China had reached an agreement in principle for a Comprehensive Agreement on Investment (CAI). Negotiations on the agreement began in 2013 and included 35 rounds of talks, with the talks concluded just two days before the end of the 2020 target date set by the two parties.[8] The European Parliament must ratify the CAI—a process that may take around a year to complete—but the agreement faces significant resistance from some members of the Parliament. The EC aims for the deal to go into effect by early 2022, according to the *Financial Times*.[9] While supporters of the CAI stressed

[*] Under the Phase One deal, China must purchase an additional $200 billion of covered goods and services as defined in the agreement above 2017 levels over the course of 2020–2021. Services has been difficult and have suffered an overall decline in 2020 due to the COVID-19 pandemic. Brad W. Setser and Dylan Yalbir, "Slouching Toward Phase One," *Follow the Money*, July 8, 2020. *https://www.cfr.org/blog/slouching-toward-phase-one*.

the inclusion of sustainability and labor requirements, critics highlight the agreement's limited scope, lack of enforceability, risk of advancing Chinese policy goals adverse to EU interests, and potential detrimental impact on the transatlantic relationship.

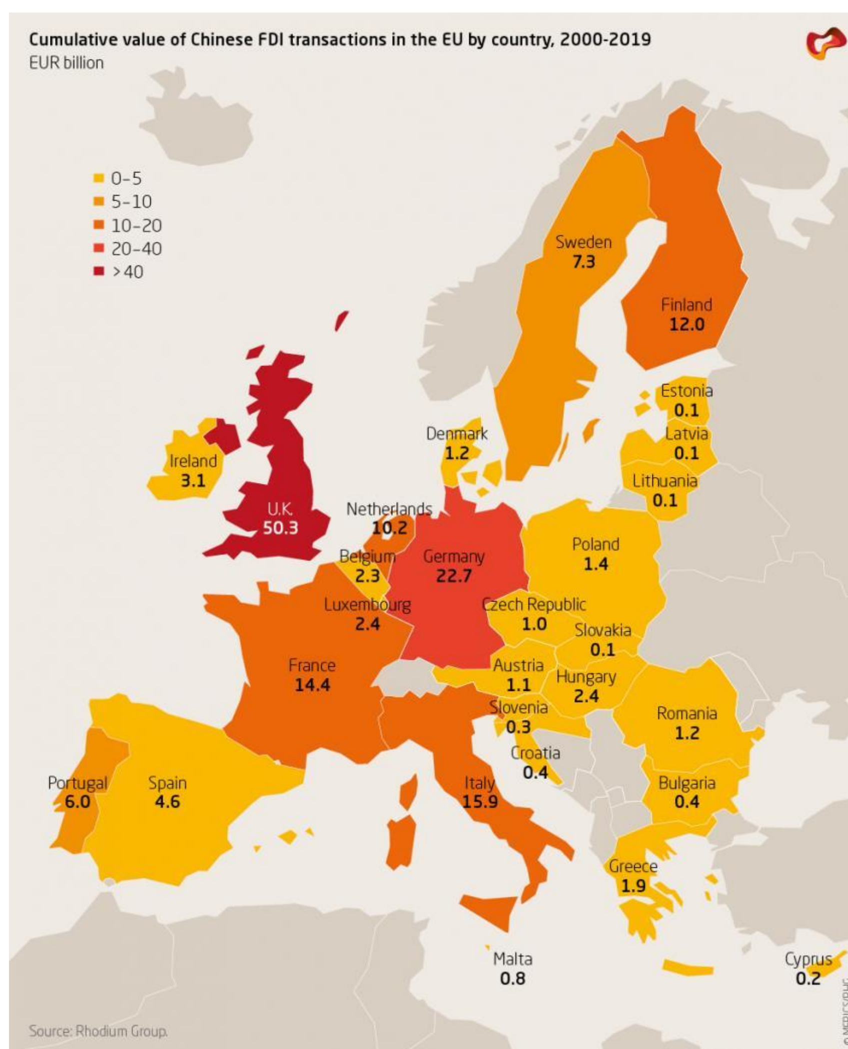
The CAI, which the EC describes as "the most ambitious agreement that China has ever concluded with a third country," focuses on securing market access to China for European investors. The agreement secures exemptions to laws that currently restrict foreign investment in some sectors, including automotive, health, and business services. It also seeks to create a "level playing field" by requiring Chinese state-owned enterprises (SOEs) to "act in accordance with commercial considerations," imposing "transparency obligations on subsidies in the services sectors,"[*] and implementing rules against forced technology transfers.[10] The EC describes the CAI as "[binding] the parties into a value-based investment relationship grounded on sustainable development principles," including commitments to implement the Paris Agreement on climate and a commitment from China to "[work] towards" the ratification of International Labor Organization (ILO) fundamental conventions.[11] The CAI has a state-to-state dispute resolution process for managing SOE-related issues and "foresees an institutional framework" for monitoring implementation of the commitments, but little information is provided on these processes.[12] There is, however, no such dispute resolution process for managing issues related to labor rights or state subsidies.

The CAI will replace the bilateral investment treaties China currently has with 26 of the 27 EU member states (Ireland is the exception). These treaties vary widely in issues covered and do not address market access or practices that may impact the competitiveness of European companies, including sustainability requirements and rules on SOEs—issues that are covered in the CAI.[13] The CAI will not, however, inhibit the use of the EU's foreign direct investment (FDI) screening mechanism and moves to limit the impact of foreign state subsidies in the EU market.[14] China's market will also remain much more closed to EU investment than the EU market to Chinese investment.[15] Foreign investment in 33 sectors, including education and broadcasting, is currently limited under China's Foreign Investment Law, with the sector-specific provisions of the CAI, including health and environmental services, loosening joint venture requirements in some areas.[16] Theresa Fallon, director of the Brussels-based think tank Center for Russia Europe Asia Studies (CREAS), notes that while the CAI makes some improvements in market access, it "does not include any investor protection mechanism for individual investors to litigate disputes."[17]

China surpassed the United States to become the EU's largest trading partner in 2020, with import and export volumes reaching $465 billion in the first eight months of 2020.[18] Despite China's current market restrictions, which make it one of the most restrictive countries for FDI according to the Organization for Economic Cooperation and Development (OECD), cumulative flows of EU investment into China from 2000 to 2020 ($170 billion) currently outpace Chinese FDI into the EU ($146 billion).[19] The EU Chamber of Commerce in China's 2020 Business Confidence Survey found 63 percent of its members ranked China in the top three destinations for FDI.[20] Germany, which currently holds the rotating presidency of the Council of the EU and was one of the primary champions of the CAI, has received more Chinese investment than any European country, behind the UK (see Figure 2).

[*] Notably, commitments on subsidies do not apply to the manufacturing sector, which currently accounts for about half of the EU's FDI in China. Theresa Fallon, "The Strategic Implications of the China-EU Investment Deal," *Diplomat*, January 4, 2021. *https://thediplomat.com/2021/01/the-strategic-implications-of-the-china-eu-investment-deal/*; Alicia Garcia-Herrero, "Europe's Disappointing Investment Deal with China," *Nikkei Asia*, January 1, 2021. *https://asia.nikkei.com/Opinion/Europe-s-disappointing-investment-deal-with-China*.

Figure 2: Chinese FDI in Europe
(billion euros)



Source: Mercator Institute for China Studies, "Chinese FDI in Europe: 2019 Update," April 8, 2020. *https://merics.org/en/report/chinese-fdi-europe-2019-update*.

The deal has received criticism on both sides of the Atlantic. Poland and Italy, for example, raised concerns about China's use of forced labor and the risk of increasing tensions in the transatlantic relationship.[21] German officials argue that while some countries raised objections to the deal, no country moved to stop the agreement.[22] Members of the European Parliament, which must ratify the agreement in order for it to take effect, have also expressed their opposition to the deal, with concerns heightening following the arrests of over 50 Hong Kong opposition leaders in early January.[23]

Members of both the Trump and incoming Biden administrations criticized the deal. On December 30 Matt Pottinger, then deputy national security advisor, said, "Leaders in both U.S. political parties and across the U.S. government are perplexed and stunned that the EU is moving towards a new investment treaty right on the eve of a new U.S. administration."[24] Jake Sullivan, President-Elect Joe Biden's national security advisor nominee, reiterated the incoming administration's desire for "early consultations with our European partners on our common concerns about China's economic practices."[25] The potential negative impact of the CAI on transatlantic cooperation has also been noted by some Chinese analysts, with Wu Xinbo, director of the Center for American Studies at Fudan University in Shanghai, noting the deal would "thwart the U.S.' plan to join hands with Europe and isolate China from the future of globalization."[26]

Critics have also singled out the deal's limited focus on market access, arguing that increasing economic engagement with China without consideration of broader political implications will allow the Chinese government to pursue goals adverse to the EU's interests. These include increasing the EU's vulnerability to economic coercion, advancing the Chinese government's industrial policy goals, and legitimizing the Chinese government's human rights abuses. The EU has continues to stress a three-faceted approach to China—China as partner, China as competitor, and China as systemic rival—a fragmented framework that critics argue is not sustainable.[27] Ms. Fallon notes, "In practice, it seems difficult to de-link trade and investment, where China is considered as a partner, from security and values, where China is a systemic rival."[28] *Financial Times* columnist Gideon Rachman further argues that the "EU arguments sound tough-minded. But, in fact, they are naive. It is naive to believe that China will respect the agreement it has signed" and that the agreement is likely to increase EU vulnerability to economic coercion.[29]

Increased European investment and engagement in China as a result of this agreement is also likely to advance China's industrial policy priorities, including in the realm of emerging technologies, even as EU mechanisms like the 5G toolbox seek to identify and address technology-related threats.[30] Finally, critics argue the Council of the EU's willingness to finalize the CAI even as the European Parliament condemned human rights abuses in Hong Kong and Xinjiang may legitimize the Chinese government's policy in these regions and weaken criticism of these actions going forward as the Council of the EU instead focuses on defending the agreement and its compromises in the areas of forced labor and human rights.[31]

Lack of transparency and enforcement mechanisms may make it difficult to hold the Chinese government to its commitments under the CAI. While China promised to work toward ratification of ILO conventions on forced labor and freedom of association, the EU acknowledges that "the process is in the hands of China; we cannot put a firm deadline to it."[32] The Chinese government's longstanding failure to ratify these conventions and their potential impact on key Chinese Communist Party (CCP) interests, including control of labor dispute systems and the CCP's system of ethnically based repression in Xinjiang seem to make progress unlikely. According to Shi Yinhong, an advisor to China's State Council, "On labor it's impossible for China to agree."[33] Critics also point to a lack of domestic systems in China to check labor abuses and market-distorting practices; initial EU impact assessments rely upon these systems for ensuring compliance with corporate social responsibility and sustainability commitments.[34] Surya Deva, associate professor at law at City University of Hong Kong, notes China lacks the "independent trade unions … critical to prevent forced labor," with China's Foreign NGO Law further complicating the cooperation with nonstate actors the EU's impact assessment identifies as critical for ensuring compliance with China's sustainability commitments.[35]

Commitments on addressing market-distorting practices of SOEs and state subsidies rely on the provision of information from the Chinese government, with violations of the agreement to be addressed by a dispute resolution mechanism—an expectation that Guatam Chikermane, vice president of the India-based think tank Observer Research Foundation believes is unrealistic, given the outsized role of the state in China's economy.[36] Alicia Garcia-Herrero, chief economist for Asia Pacific at the investment firm Natxis, also notes that the dispute mechanism identified in the CAI does not apply to state subsidies, leaving parties with little redress even if they were able to obtain information.[37]

Sinopharm Approval Boosts China's "Vaccine Diplomacy"

On December 30, China's top drug regulator, the National Medical Products Association, gave provisional approval to a COVID-19 vaccine developed by Sinopharm, a Chinese state-owned pharmaceutical company.[38] The vaccine, along with two other domestically produced vaccines, had previously been approved under an emergency use program launched last July that allowed vaccines to be distributed to essential workers and certain other high-risk groups. As of December 15, more than 4.5 million doses of COVID-19 vaccines have been given under this program.[39] China's government has also promised to provide the vaccine to countries around the world—an effort which has been termed "vaccine diplomacy," a continuation of its "mask diplomacy" efforts to provide countries

with medical equipment in the early months of the COVID-19 outbreak. As of January 4, 16 countries and Hong Kong have plans to obtain vaccines made in China,* with Nigeria and Kenya also reportedly in discussions.[40]

The approval of the Sinopharm vaccine is an important step in the CCP's effort to broadly distribute COVID-19 vaccines to China's population. Since the approval, distribution of vaccines has accelerated, with more than 73,000 people in Beijing receiving doses in the first two days, according to *Xinhua*.[41] On January 6, China's Ministry of Industry and Information said China would be able to produce 1 billion doses of the newly approved vaccine this year. The ministry also said there would be enough doses for a mass domestic immunization program.[42] According to Tao Lina, a former immunologist at the Shanghai Center for Disease Control and Prevention, the Chinese government plans on vaccinating 50 million people against COVID-19 by mid-February, when hundreds of millions of people are expected to travel across the country for the Lunar New Year holiday.[43] In late December, Zeng Yixin, the deputy minister of China's National Health Commission, said the vaccine would be provided free of charge to the public, in contrast to previous statements from policymakers.[44]

While detailed data on the effectiveness of the Sinopharm vaccine have not been released, Beijing Biological Products Institute, which is part of a Sinopharm subsidiary and developed the vaccine, said on December 30 that the vaccine was 79 percent effective.[45] This is less effective than COVID-19 vaccines that have received approval in other countries, such as the Pfizer and Moderna vaccines, which have efficacy rates of about 95 percent. It is, however, well above the threshold of 50 percent that medical experts generally agree makes a vaccine effective for broad use.[46]

China's approval of the Sinopharm vaccine has been aided by clinical trials carried out in foreign countries. Trials for Sinopharm's approved vaccine as well as an additional Sinopharm COVID-19 vaccine have been carried out in Argentina, Bahrain, Egypt, Jordan, Morocco, Pakistan, Peru, and the United Arab Emirates.[47] Doubts have arisen about the scientific rigor behind some of the data analysis in these trials, however.[48] Some of the countries involved in these trials—such as Bahrain, the United Arab Emirates, and Egypt—approved the vaccine before China's regulatory authorities did.[49] In addition to the Sinopharm vaccines, clinical trials for three additional Chinese-produced COVID-19 vaccines are being carried out in at least nine additional countries.† On January 7, Brazilian officials announced a vaccine produced by Chinese pharmaceutical company Sinovac was 78 percent effective, although on January 12 researchers said late-stage trial data showed the vaccine was only 50 percent effective.[50]

China's government embarked on its "vaccine diplomacy" in mid-2020, in part to mitigate global criticism of its handling of the pandemic. In May, General Secretary Xi announced China's vaccine development and deployment "would be made a global public good," and in October, China joined COVAX, an initiative led by the World Health Organization aiming to ensure fair distribution of the vaccine worldwide.[51] Beijing also promised Latin American and Caribbean countries a loan of $1 billion to purchase the vaccines.[52] If successful, China's "vaccine diplomacy" efforts could help repair the reputational damage that Beijing received for suppressing vital information in the early stages of the COVID-19 pandemic, as well as for the defective medical equipment that it supplied to some countries.[53] As researchers Eyck Freymann and Justin Stebbing wrote in a recent issue of *Foreign Affairs*, "[a]lthough China initially paid a diplomatic price for its failure to control the novel coronavirus, it is poised to repair its damaged reputation by reinventing itself as the public health provider for the developing world."[54]

While vaccine diplomacy offers China an opportunity to build its soft power, it has also generated some backlash. In particular, health officials have criticized the lack of transparency in the vaccine trials, including not disclosing the number of people given vaccinations.[55] If the vaccines turn out to be less effective than promised—or if they cause adverse health reactions—China's international image could receive further damage.[56] There are also concerns that China could use the promise of vaccines as a coercive tool against other countries. For instance, Philippine President Rodrigo Duterte stated in July that Beijing was already "in possession" of the South China Sea and that he had no control over the issue. The next day, China promised to give the Philippines priority access to

* The countries are Bahrain, Brazil, Chile, Egypt, Hungary, Indonesia, Malaysia, Morocco, Pakistan, Peru, Philippines, Singapore, Thailand, Turkey, Ukraine, and the United Arab Emirates. Bethany Allen-Ebrahimian, "Chinese and Russian Vaccines Go Global," *Axios China*, January 5, 2021.

† The countries carrying out trials for the vaccines are Brazil, Chile, Indonesia, Mexico, Pakistan, Philippines, Russia, Saudi Arabia, and Turkey. Lucas Niewenhuis, "China Ramps Up COVID-19 Vaccinations, Approves Sinopharm Shot," *SupChina*, January 4, 2021. *https://supchina.com/2021/01/04/china-ramps-up-covid-19-vaccinations-approves-sinopharm-shot/*.

the vaccine.[57] Similarly, after Malaysia gained priority access to China's vaccines in October, it released 60 crew members of Chinese vessels whom it had detained for allegedly trespassing in its territorial waters.[58]

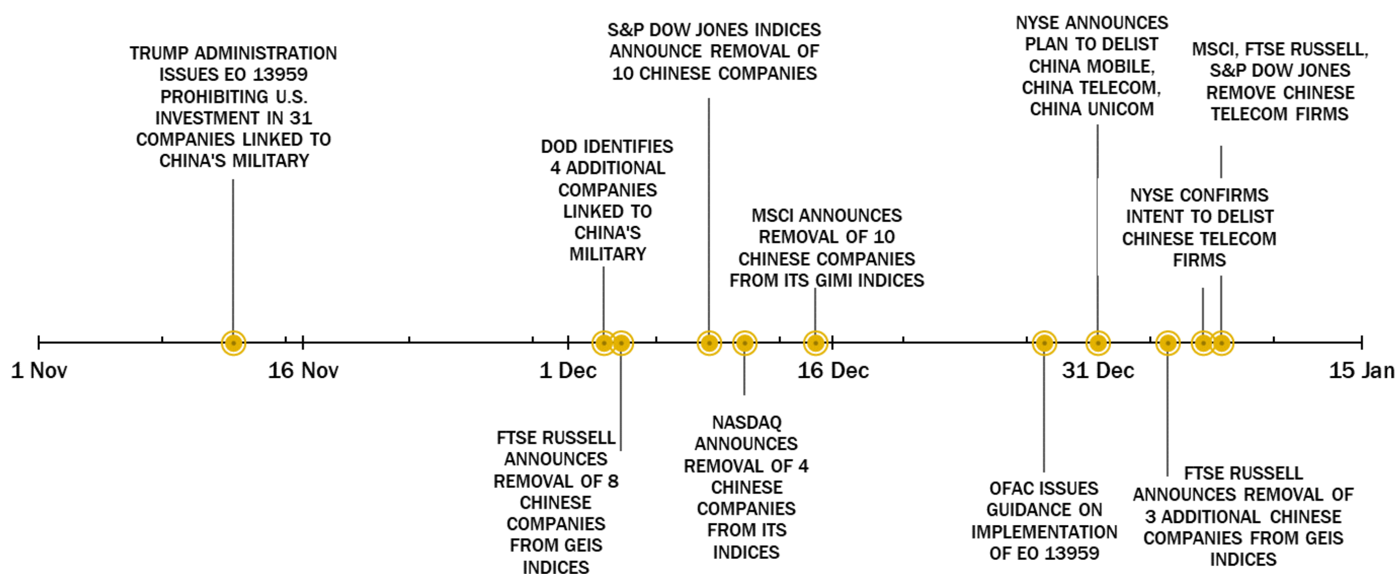
Chinese Companies' Access to U.S. Capital Narrows as Investment Restrictions Evolve

An enhanced sanctions program targeting problematic Chinese companies is taking shape as the United States implements executive actions prohibiting investment in companies with links to China's military. The formalization of rules and regulations to mitigate selected risks posed by certain Chinese companies is also leading the financial services industry to adjust its practices to comply with U.S. law enforcement actions. Following the issuance of an executive order in November, U.S. stock exchanges and global investment indices are moving to bar investment in securities issued by Chinese companies involved in China's military modernization and human rights abuses, among others. Elevated scrutiny and enforcement action continue to push more Chinese companies closer to Chinese and Hong Kong capital markets.

On November 12, 2020, President Donald Trump issued Executive Order 13959 prohibiting U.S. investment into companies and publicly traded securities linked to the Chinese military.[59] Beginning January 11, 2021, new transactions in shares of Chinese businesses identified by the Secretary of Defense, in consultation with the Secretary of the Treasury, as "Communist Chinese military companies" are prohibited.[60] Existing shareholders have until November 11, 2021, to divest from such securities.[61] To date, the U.S. Department of Defense has identified 35 companies with links to China's military and operating in a diversity of sectors from telecommunications and aerospace to chemical manufacturing and electronics.* The 35 companies are estimated to have a combined market value of $440 billion.[62] Secretary of State Michael Pompeo noted the executive order is intended to address concerns that U.S. investors may unwittingly support Chinese military companies through passive investments, including those linked to index or other investment funds, which include securities issued by such companies.[63] An array of major investment index providers have begun deleting selected Chinese securities from their indices since the promulgation of EO 13959 (see Figure 3).

* The identified companies pose an array of concerns for U.S. national security and the national interest more broadly. For example, Dawning Information Industry has acknowledged a variety of military end uses and end users of its high-performance computers, while Hangzhou Hikvision has supplied surveillance technology deployed in Beijing's repressive campaign of mass detention and surveillance of Muslim minority groups in China's restive Xinjiang Province. Securities issued by both firms are among those that have been removed from indices managed by investment index providers MSCI and FTSE Russell. MSCI, "Announcement for December 30, 2020 at 09:50 PM GMT," December 30, 2020. *https://app2.msci.com/webapp/index_ann/DocGet?pub_key=38O987%2BlK44%3D&lang=en&format=html*; U.S. Department of the Treasury, *Non-SDN Communist Chinese Military Companies List*, December 22, 2020. *https://www.treasury.gov/ofac/downloads/ccmc/ns-ccmc_list.pdf*; FTSE Russell, "Executive Order by the President of the United States of America Treatment in FTSE GEIS and FTSE China A Inclusion Indexes," December 4, 2020. *https://research.ftserussell.com/products/index-notices/home/getnotice/?id=2598662*.

Figure 3: Timeline of Executive Actions Targeting Companies Affiliated with China's Military and Market Responses, November 2020–Present



Source: Created by Commission staff.

On December 28, 2020, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued five frequently asked questions (FAQs) clarifying the scope of the executive order.[64] The FAQs respond to questions raised by the financial services industry regarding whether investments in securities issued by companies whose names do not precisely match those detailed by the Departments of Defense and the Treasury are also prohibited.[65] FAQ 858 clarifies that the prohibitions apply to securities of any entity "with a name that exactly or closely matches the name of an entity" identified in the "Non-SDN Communist Chinese Military Companies List" prepared by the Treasury Department.[66] This list provides further guidance to the financial services industry by detailing the companies' aliases, issuer names, and equity tickers.

Separately, FAQ 857 notes that prohibitions on securities issued by these companies do not apply to their subsidiaries unless and until the subsidiary is added to Non-SDN Communist Chinese Military Companies List.[67] In the FAQ, OFAC stated that at an undetermined date it intends to publicly list as subsidiaries any entity that is 50 percent or more owned by one or more of the 35 firms or otherwise controlled by one or more Communist Chinese military companies.[68] Initial ambiguity concerning when subsidiaries would be affected by the order may explain the New York Stock Exchange (NYSE) reversing itself several times in early January in deciding whether to delist China Mobile, China Telecom, and China Unicom, whose parent firms are included in the Non-SDN Communist Chinese Military Companies List.[69] After announcing the delisting of the three Chinese telecommunications firms and then reversing that decision, the NYSE ultimately confirmed it would proceed with delisting following guidance from OFAC explicitly naming the companies as subject to the investment restrictions.[70] Following the NYSE decision, major index providers MSCI, FTSE Russell, and S&P Dow Jones Indices also announced they would cut the three Chinese telecommunications firms from their indices.[71]

The evolving implementation of EO 13959 is accompanied by U.S. efforts to strengthen enforcement of listing standards on U.S. exchanges. On December 18, 2020, President Trump signed into law the Holding Foreign Companies Accountable Act.[72] The law requires foreign companies to be delisted from U.S. exchanges if the Public Company Accounting Oversight Board has been unable to review their audit work papers for three consecutive years. The law effectively puts Beijing on a timeline to remove its longstanding obstruction on the review of audits conducted by accounting firms in China.

As the United States steps up enforcement against national security risks posed by Chinese companies, Beijing has been planning for prospects of narrowed access to U.S. capital markets. The Chinese government has accelerated the pace of reforms in China's stock markets in recent years to enable them to play a larger role in aggregate

financing to the real economy and draw more listings to the Mainland as U.S. scrutiny of Chinese securities has tightened.* Chinese companies themselves also increasingly eye listings closer to home as U.S. regulators step up enforcement of U.S. law. In 2020, a record number of Chinese firms carried out secondary listings in Hong Kong, with $19.1 billion raised across 12 transactions compared to $14.8 billion in 2019, according to Refinitiv data.[73] Chinese internet company Baidu is the latest company to be considering a secondary offering in the city following similar moves by e-commerce giant JD.com and gaming company NetEase in 2020.[74]

DOJ Increased Scrutiny of Foreign Investments in 2020

In the Department of Justice's (DOJ) November 2020 "Year in Review" of its China Initiative, it highlighted an uptick in investigation and prevention of predatory acquisitions in the wake of the novel coronavirus (COVID-19).[75] DOJ's National Security Division (NSD), the agency's representative on the Committee on Foreign Investment in the United States (CFIUS), anticipated predatory Chinese acquisitions of U.S. companies sensitive to national security, potentially as a result of an anticipated uptick in bankruptcies stemming from the economic downturn of the COVID-19 pandemic.

Due to the sensitive nature of CFIUS transactions, there is limited data available on the exact number of approved, pending, or prohibited transactions to estimate how many of the NSD's cases were related to bankruptcy in 2020. In fact, U.S. bankruptcies have been lower than anticipated in 2020, with the U.S. Bankruptcy Court reporting a 21.1 percent decrease in cases filed year-on-year as of September 2020.[76] Some experts attribute the unexpected trend to the CARES Act stimulus, which may have spared small businesses in the near term and prevented a ballooning NSD caseload.[77] Nonetheless, two companies facing bankruptcy were acquired by Chinese entities in 2020. In March 2020, Chinese-controlled investment company Citiking International US LLC was granted approval by CFIUS for its complete acquisition of ONE Aviation, also known as Eclipse Aerospace, a light jet producer based in New Mexico.[78] In September 2020, CFIUS also approved the sale of Pittsburgh-based vitamin and supplements producer GNC to the Harbin Pharmaceutical Group Company.[79]

Among DOJ's responsibilities under CFIUS, its core duties include conducting threat assessments for cases, forming and overseeing mitigation agreements, and enforcing penalties for any broached agreements. The NSD's upscaled efforts in 2020 reflect expanded authorities and enforcement responsibility pursuant to the Foreign Investment Risk Review Modernization Act (FIRRMA), which broadened the scope of CFIUS's review.† Under FIRRMA, the NSD has focused its assessments on not only traditional national security risks, but also risks to privacy and the collection of personal information.[80] In January 2020, new FIRRMA regulations also expanded CFIUS jurisdiction to include greenfield real estate transactions and noncontrolling foreign investments into critical technologies, likely contributing to a larger NSD caseload.[81]

According to its FY 2021 budget, the NSD anticipated reviewing over 1,000 cases in 2021 as a result of the FIRRMA implementation and reflecting overall increases in caseload since 2017.[82] In 2019, the NSD was monitoring 34 mitigation agreements in relation to CFIUS; in 2020, this number increased to 40.[83] It is unclear whether the sales of GNC or ONE Aviation were contingent on any such mitigation agreements.

Ant Group Likely First Casualty in Looming Tech Crackdown

A series of announcements from Chinese regulators in December 2020 increased pressure on major Chinese tech firms, likely signaling the start of a broader campaign against private tech behemoths that have largely evaded regulatory scrutiny to date.[84] The challenge to tech firms deepens a trend of China's government subjecting private, market-oriented firms to its policy agenda.

* Relevant measures include shifting initial public offering rules from an approval- to a registration-based system across the Shanghai Stock Exchange and Shenzhen ChiNext Board and allowing Chinese companies incorporated overseas and listed in Hong Kong to be included in the Shanghai Composite Index, among other steps. For an overview of China's stock market reforms, see "In Focus: China's Stock Market Reforms" in U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, July 6, 2020, 10–14. *https://www.uscc.gov/sites/default/files/2020-07/July_2020_Trade_Bulletin.pdf.*

† For more on CIFUS expansion under FIRRMA, see U.S. Department of the Treasury, *Summary of the Foreign Investment Risk Review Modernization Act of 2018*, September 2018. *https://home.treasury.gov/system/files/206/Summary-of-FIRRMA.pdf.*

After the Shanghai Stock Exchange suspended Ant Group's planned initial public offering (IPO) in November 2020,[*] the People's Bank of China (PBOC) issued a rare public rebuke of the firm in late December, ordering it to overhaul its business and reduce the scope of its financial services offerings.[85] Meanwhile, following the November 2020 release of draft regulations targeting monopolistic practices by Chinese internet firms, in December China's antitrust regulator fined technology conglomerate Alibaba Group[†] and a spinoff of rival tech giant Tencent[‡] for failing to seek approval for years-old acquisitions, announced a review of a planned merger between e-sports companies backed by Tencent, and launched an investigation into Alibaba for alleged monopolistic conduct on its e-commerce platforms.[86] Reflecting the political sensitivity of these investigations, in January 2021, China's government ordered Chinese media outlets to censor reporting on the antitrust probe into Alibaba.[87]

Both Ant and Alibaba were founded by billionaire entrepreneur Jack Ma, leading to speculation that the Chinese government is retaliating following Ma's sharp criticism of China's financial ecosystem in October 2020.[§][88] Policy planning documents for 2021 suggest, however, that actions against other tech firms could become a focal point this year (see Appendix). Similarly, a statement from the China Banking and Regulatory Insurance Commission (CBIRC) indicates regulators see Ant Group as representative of deeper problems in the fintech sector.[89]

While the incipient regulatory actions against fintech and internet firm trust-busting appear to address genuine concerns regarding financial risk and monopolistic practices, both clearly advance state goals at the expense of targeted tech firms' business.[90] In following a pattern of arbitrary, campaign-style enforcement, the crackdown establishes concerning regulatory precedents that could impact foreign firms operating in China.[91]

Regulators Respond to Risks and Monopolistic Conduct but Advance State Goals

Mounting allegations and investigations against Ant Group, Alibaba, and other tech firms are not unfounded.[92] Rapid growth of Ant's financial services has contributed to a sharp escalation in consumer debt within the past few years and perpetuated commercial lending to risky borrowers.[93] This debt growth has occurred largely outside of traditional financial regulatory oversight,[**] prompting new regulations effective November 2020 that subject some fintech firms to capital adequacy requirements similar to those imposed on banks.[94] Similarly, Alibaba's e-commerce platforms have clearly leveraged their dominant market position to limit new entrants by forcing e-commerce merchants to work exclusively with their platforms, among other tactics, though they are not alone in using this practice.[95]

The sudden step up in Chinese government's enforcement against tech firms nonetheless marks a shift to overt antagonism toward a sector it used to accommodate. In spring 2014, when Ant's payment app Alipay[††] caused a

[*] For more on the failed Ant IPO, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, November 9, 2020, 14–15. *https://www.uscc.gov/sites/default/files/2020-11/November_2020_Trade_Bulletin.pdf*.

[†] For more background on Alibaba Group, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, December 7, 2020, 11–15. *https://www.uscc.gov/sites/default/files/2020-11/Dec_2020_Trade_Bulletin.pdf*.

[‡] For more background on Tencent, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, September 8, 2020, 11–14. *https://www.uscc.gov/sites/default/files/2020-11/September_2020_Trade_Bulletin.pdf*.

[§] At a financial forum in Shanghai on October 24, Ma likened Chinese banks to pawnshops, claiming they "cannot support the financial needs of world development." Eliza Gkritsi, "China Voices: The Unsigned Op-eds that Foreshadowed Ant Group IPO Suspension," *TechNode*, November 9, 2020. *https://technode.com/2020/11/09/china-voices- the-unsigned-op-eds-that-foreshadowed-ant-group-ipo-suspension/*.

[**] Ant Group's lending business is operated in conjunction with other banks that assume the financial risk, while Ant profits by serving as the middleman and connecting borrowers to lenders. Only Ant has a clear picture of the entirety of the loan portfolio it has facilitated and the credit profile of its borrowers, prompting concern from regulators that its substantial market share and unwillingness to share data obfuscate their ability to gauge systemic risk. George Calhoun, "Why China Stopped the Ant Group's IPO (Part 2): Ant's Dangerous Business Model," *Forbes*, November 16, 2020. *https://www.forbes.com/sites/georgecalhoun/2020/11/16/why-china-stopped-the-ant-groups-ipopart-2-ants-dangerous-business-model/?sh=436fc8e158bf*.

[††] Alipay is a payments app and digital wallet. Similar to PayPal's relation to eBay, Alipay initially allowed users to transfer money from banks to an account to pay for goods on Alibaba's e-commerce platforms and, increasingly, other goods and services that partnered with Alipay. Alibaba spun off its financial services, which included Alipay, in 2011, and rebranded the affiliate "Ant Financial Services Group" in 2014. Gerry Shih, "Alibaba Affiliate Alipay Rebranded Ant in New Financial Services Push," *Reuters*, October 16, 2014. *https://www.reuters.com/article/us-china-alibaba-idUSKCN0I50KJ20141016*.

liquidity crunch by drawing bank deposits toward its high-yield escrow account,* the PBOC resisted closing the escrow account altogether and instead sought compromise between state-run banks and the fintech startup by capping daily transfers to Alipay.[96] Similarly, China's market regulator reportedly delayed releasing a report on rampant trademark infringement on Alibaba platform Taobao ahead of Alibaba's September 2014 IPO on the New York Stock Exchange to avoid impacting the listing.[97] When the report was ultimately released in January 2015, the regulator took it down the same day, later resolving alleged violations in a closed-door meeting with Jack Ma.[98] In contrast, Chinese regulators blocked Ant's IPO in spite of eagerness to promote domestic stock exchanges as a viable alternative to overseas listings, and they have remained seemingly indifferent to selloffs of Chinese tech stocks incited by recent antitrust announcements.[99]

The abrupt change in tone comes in part as the interests of China's government and tech titans are increasingly at odds, and the state is wary of private firms' sheer market size translating into political weight.[100] Ant Group's increasing involvement in lending eats away at a vital revenue stream for state-run banks. By contrast, Alipay's low-margin consumer payments business did not threaten entrenched firms.[101] At the same time, major Chinese tech conglomerates' outsized role in incubating a startup ecosystem was initially a boon for the state, but now places Alibaba, Tencent, and Baidu in potential competition with state investment objectives as the government seeks an increased role in steering venture capital through a series of state-guided funds. Finally, Chinese tech conglomerates possess vast collections of consumer and corporate data, which they view as proprietary and essential to their business models.[102] China's government is undergoing a massive data centralization effort as part of its plans to bolster a nascent domestic credit rating industry, establish ubiquitous monitoring mechanisms like the social credit system, and foster further state-led innovation in artificial intelligence and big data.[103] Regulators appear poised to strong-arm tech firms to share troves of data in the name of consumer protection and eliminating monopolies while using the resources to advance these goals.[104]

For U.S. firms operating in China, this has both political and commercial implications. The Chinese government has been aggressively courting foreign capital, and foreign providers have been given the green light to hold controlling stakes in investment banks, fund managers, and other financial services.† However, the arbitrary determination by financial regulators that a private competitor to entrenched state-run banks has too large a footprint establishes a foreboding pattern. The broader antitrust crackdown marks a rare high-profile enforcement action by the State Administration for Market Regulation (SAMR), an agency formed in 2018 that combined antitrust oversight from three separate agencies.[105] Since SAMR's formation, its staff has chiefly focused on merger and acquisition approvals, and antitrust cases have mostly been handled by regional bureaus.[106] The recent escalation in enforcement actions marks a stark change in its so-far quiet role and could lay the groundwork for SAMR to become a key tool in asserting state objectives that impact foreign firms' business in China.[107] Taken together, the concurrent antitrust and fintech crackdowns represent a turn toward concerted and systematic enforcement. Historically, Chinese regulators have leaned on sporadic campaigns to engender compliance through instilling fear, often to compensate for weak institutional oversight.[108]

In Focus: The Central Economic Work Conference

On December 16–18, 2020, CCP leaders met in Beijing for the Central Economic Work Conference (CEWC), China's preeminent annual economic policy planning conference. Though official readouts from CEWC are short on specifics, they provide important signaling regarding the trajectory of economic policy. The policy directions set at the CEWC come in the context of a number of other high-level pronouncements, including the communique from

* The escrow account, Yu'ebao ("leftover treasure" in Chinese), allowed users to hold extra Alipay funds in a money market account rather than transferring them back to the bank. Alipay pooled the substantial funds across many user accounts into one large sum, allowing it to negotiate high interest rates with banks, which it then passed on to its customers. In turn, customers earned yields far higher than those provided by bank savings accounts. *Yicai*, "Who Did Yu'ebao Change? (余额宝们改变了谁)," February 24, 2014. Translation. *https://www.yicai.com/video/3501991.html*.

† For further discussion of foreign financial firms' increased access to China's market, see Chapter 2, Section 2, "Vulnerabilities in China's Financial System and Risks for the United States" in U.S.-China Economic and Security Review Commission, *2020 Annual Report to Congress*, December 1, 2020, 264–267. *https://www.uscc.gov/sites/default/files/2020-12/Chapter_2_Section_1--Year_in_Review-Economics_and_Trade.pdf*.

the CCP Fifth Plenum,* which previews the 14th Five-Year Plan (2021–2025), and General Secretary of the CCP Xi Jinping's 2021 New Year address.

The 2020 CEWC holds increased importance for Beijing as the CCP approaches its 2021 centennial, a critical moment to secure political legitimacy for the Party. As it celebrates 100 years since its founding, the CCP has increased its efforts to project strength on multiple fronts, including the domestic economy, diplomatic relations, and military modernization. General Secretary Xi's 2021 New Year address elucidated key CCP propaganda points, including China's positive economic growth in the face of the global pandemic, eradication of extreme poverty, and scientific breakthroughs such as the Tianwen-1 Mars Mission.[109] The speech also confirmed policy priorities such as the creation of a worldwide "community of common human destiny" in which the China model would be exported to partner countries via foreign policy campaigns like the Belt and Road Initiative.

Policymakers Identify "Key Missions" for 2021

The CEWC sets out to address short-term challenges in China's economy while continuing long-term policies to correct persistent structural imbalances. In the short run, the Chinese economy confronts depressed global export demand while its trading partners continue to battle successive waves of COVID-19. Supply chain security is also an immediate concern as the ongoing trade dispute with the United States has resulted in blocked access to technological inputs for strategic industries. Policymakers continue to confront long-term challenges of industrial overcapacity, mounting debt levels among SOEs, and rebalancing the Chinese economy toward a consumption-driven growth model.

The proceedings of the CEWC are traditionally kept secret; however, each year the state-run media outlet Xinhua publishes a summary of the conference. The Xinhua readout stressed continued global economic uncertainty against which China must "manage [its] own affairs well, stick to bottom line thinking, improve risk oversight, and strictly guard against various risks and challenges."[110] Xinhua's readout indicates China will pursue economic policy continuity in 2021 with an emphasis on fiscal policy that is "efficient, effective, and sustainable."[111] While the topline assessment coming out of the CEWC did not yield any surprises for observers, this year's readout did include unusually specific discussions of certain economic issues such as indigenous innovation, antitrust measures, food security, and carbon neutrality.

Eight "key missions" were identified in the CEWC readout:

1. **Strengthen national strategic technologies.** The readout highlighted the need for industrial policies to bolster domestic technological development. China will continue to facilitate close partnerships between the state, academia, technological research institutions, and industry in order to strengthen domestic innovation. According to *Pekingnology*, a publication run by Chinese state media-affiliated journalists, science and technology as a standalone mission area has never been included in a CEWC readout, let alone topped the list.[112]

2. **Strengthen industrial supply chain security.** The CEWC emphasized the need to resolve supply chain insecurity by laying the foundation for domestic production of key industrial technologies and materials.[113] While the readout does not specify which technologies and materials are to be produced domestically, China's government will likely continue targeting emerging and foundational technologies such as semiconductors, artificial intelligence, and big data.

3. **Expand domestic demand.** China will prioritize boosting domestic consumption with a specific focus on stimulating demand in rural areas where China's poorest citizens live. Policies to improve public services such as education, healthcare, childcare, and eldercare[114] will remain a pillar of China's rebalancing strategy.

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* The Fifth Plenum Communique announced that China had met numerous goals, including becoming a "moderately prosperous society," lifting approximately 55.75 million Chinese citizens out of poverty, and extending medical insurance to 1.3 billion citizens by the close of 2020. For more on the Fifth Plenum, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, November 9, 2020, 4–6. *https://www.uscc.gov/sites/default/files/2020-11/November_2020_Trade_Bulletin.pdf*.

4. **Improve reform and opening.** Policymakers said they would seek to remove market entry barriers, protect intellectual property rights, improve corporate governance, and optimize the private sector through a "rule-of-law-based, internationalized commercial environment."[115] Simultaneously, the state will implement the SOE three-year action plan (2020–2022) to improve SOE competitiveness and sustainability[116] through mixed ownership reform, digitalization, and asset securitization.[117]

5. **Ensure food and land security.** Facing arable land and food shortages in the future, Beijing plans to strengthen investment into agribusiness technologies such as genetically modified crops and strictly maintain a quota of at least 1.8 billion mu (27 billion hectares) of arable land at all times.[118] The new land quota strikes a painful blow to China's fiscally starved local governments, which have historically relied upon land sales to supplement their coffers.

6. **Strengthen antimonopoly measures and prevent "disorderly expansion of capital."** The CEWC called for combatting trusts and anticompetitive behavior in order to support high-quality growth.[119] This point was a thinly veiled allusion to recent trust-busting in the fintech sector (see "Ant Group Likely Only First Casualty in Looming Tech Crackdown"), and the CEWC called for policies to improve digital regulations and legal standards for defining platform monopolies, as well as improvements to regulations on the gathering, usage, and management of consumer data.[120]

7. **Resolve problems of residential housing in major cities.** The CEWC emphasized the need to decrease speculation in real estate while strengthening the home rental market. Policies will be enacted to implement welfare rental housing and transition the land of rural collectives to rental housing.[121]

8. **Pursue carbon neutrality.** China has announced its ambitious goal of becoming carbon neutral before 2060 and reaching peak carbon emissions before 2030. Policies will strive to optimize energy infrastructure, increase funding to "green" campaigns, and reach peak carbon consumption as soon as possible.[122]

CEWC Highlights Important Policy Trends

Tapering Fiscal and Monetary Stimulus

The priorities outlined in the CEWC readout and related statements by policymakers highlight several key trends for China's economic policymaking this year. First, the CCP has strongly indicated that the government will continue to ease off stimulus policies that it has used amid the economic slowdown caused by the COVID-19 pandemic. While the CCP's monetary and fiscal stimulus programs have been credited with making China the only major economy in the world to grow in 2020, the programs have also contributed to surging debt and an uneven economic recovery.* The language from the CEWC readout has marked a departure from more aggressive language used earlier in 2020. For instance, where the CCP's government work report in May 2020 had called for "a more proactive and impactful fiscal policy," the CEWC language emphasized improving the "quality and effectiveness of proactive fiscal policy."[123] Similarly, the CEWC readout added that prudent monetary policy must be "reasonable," a qualification not included in the PBOC's third quarter report.[124] However, any reduction of stimulus is likely to be moderate. For instance, economic analysts at Goldman Sachs predict China's fiscal deficit target will return to 3 percent of gross domestic product (GDP), down from 3.6 percent in 2020.[125]

Demand-Side Reform

Another theme is the CCP's new emphasis on "demand-side reform," a term first introduced at the Politburo meeting on December 11, 2020, when it was identified as one of the CCP's priorities for economic policy in 2021.[126] While policymakers have not explicitly defined demand-side reform, many economic analysts believe it will include policies aimed at shifting from investment-led growth to consumption-led growth, including addressing income

* For more on China's uneven economic recovery, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, November 9, 2020, 10–12. *https://www.uscc.gov/sites/default/files/2020-11/November_2020_Trade_Bulletin.pdf.*

inequality, improving China's social safety net, and reforming land-use and land-ownership policies.[127] Since the CEWC, CCP policymakers have already begun to implement policies aimed at increasing consumption of certain items. For example, on January 6, China's Ministry of Commerce issued a notice on increasing consumption of certain goods and services.[128] The measures outlined in the notice included encouraging cities to reduce restrictions on automobile purchases, improving automobile-related infrastructure such as parking garages, and instituting a car trade-in program for rural residents.[129]

While initiatives to improve China's domestic consumption are not new, the emphasis on "demand-side reform" indicates the CCP is giving them a higher priority. "Demand-side reform" echoes "supply-side reform," an initiative introduced by General Secretary Xi at the 2015 CEWC that focused on addressing industrial overcapacity.[130] Since its announcement, supply-side reform has become a signature part of China's economic policy agenda. While Chinese policymakers continue to emphasize the importance of supply-side reforms, over the past year the CCP has placed increasing rhetorical emphasis on demand-side policies.

"Demand-side reform" also dovetails with the CCP's "dual circulation" strategy unveiled last year, which seeks to have China rely more on domestic innovation and consumption for its economic growth.[131] Consumption has been a particularly weak spot in China's economic recovery: according to Chinese government data, retail sales declined by 4.8 percent through the first 11 months of 2020, and household consumption remains lower than a year ago.[132] According to Larry Hu, chief China economist at Macquarie Capital, the focus on demand-side reforms highlight Beijing's desire to "boost demand without stimulus."[133] According to economists at Guotai Junan Securities, however, demand-side reform will still include significant government investment, but the investment will shift toward "new economy" sectors such as 5G, big data, and new energy.[134]

Ensuring Supply Chain Security

Supply chain security has also become a key pillar of China's dual circulation strategy. In the wake of the global pandemic and ongoing trade disputes with the United States, China continues to face dual headwinds that threaten its supply chains. On December 18th, the U.S. Department of Commerce Bureau of Industry and Security added China's Semiconductor Manufacturing International Corporation (SMIC) and drone maker SZ DJI Technology Co., Ltd. to its Entity List, citing alleged connections to the Chinese military industrial complex.[135] Since the United States currently dominates the production of critical inputs within semiconductor supply chains,[136] the move significantly undermines SMIC's ability to manufacture semiconductors. The trickle-down effects will hinder supply chain security for many of China's strategic industries, including electronics, telecommunications, military systems, and emerging technologies. U.S. sanctions continue to target key companies within China's strategic industries, increasing the urgency with which China aims to reduce its dependency on U.S. technology inputs.

While U.S sanctions have highlighted China's vulnerability to restrictions on technology inputs, the global pandemic emphasized transport and logistics vulnerabilities along supply chains. At the height of the pandemic in March 2020, an American Chamber of Commerce in South China survey found that 100 percent of Chinese companies had experienced disruptions within their supply chains.[137] Weakness in global demand, coupled with greater global scrutiny of China's technology companies, has prompted Chinese policymakers to focus on supply chain securitization. For China, this means strengthening existing policies that drive self-sufficiency in key industries through production localization and investment in home-grown technology. China is expected to continue heavily subsidizing research and development in critical industries while increasing state support for national champions. Analysts speculate that this may eventually shift China's long-term challenge of supply-side overcapacity into new sectors.[138] Notably, China's enhanced emphasis on import substitution is balanced by greater opening in some areas of the economy as seen by recent loosening of capital controls and reduced barriers to entry for foreign firms as codified within trade negotiations with the EU (see "EU and China Reach Agreement in Principle on Investment").

Increased Oversight of China's Financial Sector

The final theme highlighted by this year's CEWC was Beijing's intention to improve financial sector oversight through improved governance of financial institutions and tougher antitrust measures. Beijing will also take measures to prevent the "disorderly expansion of capital" by continuing deleveraging efforts into 2021. As such,

the state will likely continue to allow for bankruptcies and bond defaults among state enterprises in an effort to allow greater creative destruction in the sector and rollback its policy of implicit guarantees.[139] Mergers between undercapitalized banks and financial institutions will also be encouraged as state regulators try to reduce excessive financial risk. Finally, the monetary and fiscal stimulus designed to help China's economy weather the global pandemic will continue to wind down as the PBOC and Ministry of Finance emphasize monetary stability and fiscal sustainability for the coming year.

Appendix: Timeline of Chinese Regulatory Actions against Fintech and Internet Firms

November 3, 2020	Shanghai Stock Exchange indefinitely suspends planned IPO of Ant Group, expected to raise a record-setting $37 billion in conjunction with a dual listing in Hong Kong.
December 14, 2020	SAMR fines Alibaba $76,000 (renminbi [RMB] 500,000) for failing to seek approval for increasing its stake in a retail chain in 2017, and fines Tencent spinoff China Literature the same amount for irregularities in a 2018 acquisition of a film studio.
December 18, 2020	The CEWC concludes, announcing antitrust enforcement against tech companies among the top policy priorities for 2021, in particular highlighting abusive use of consumer data.
December 24, 2020	Xinhua announces SAMR has launched an investigation into Alibaba Group for monopolistic conduct, including requirements that e-commerce merchants conduct business exclusively on Alibaba's e-commerce platforms.
December 27, 2020	PBOC publicly admonishes* Ant Group for unsound governance, indifference toward legal and compliance requirements, and abuse of market position; it gives the firm a list of five demands, including to focus on its original payment processing business and scale back other financial services offerings.
December 31, 2020	CBIRC releases Q&A outlining a litany of risks within China's fintech sector and highlighting regulatory responses. The statement does not mention Ant Group by name but clearly implicates its microlending business as a target of regulatory scrutiny, in part because of its use of proprietary customer data to drive lending decisions. Separately, Bloomberg quotes an anonymous source indicating Ant Group is mulling divesture from other financial institutions to comply with new regulations limiting its influence in the sector.
January 5, 2020	*Wall Street Journal* reports Chinese authorities are contemplating plans that would break up what they see as Ant Group's monopoly on consumer data, including potentially requiring Ant to feed the data into a government-run credit scoring platform.
January 6, 2020	Three-day PBOC annual work conference concludes, announcing list of 2021 goals that echo the CEWC, including continued antitrust enforcement and reigning in "disorderly expansion of capital," with an eye toward the fintech sector.
January 7, 2021	China Consumer Association, a government-backed consumer rights group, releases a statement describing how internet platforms' algorithms abuse consumer rights and outlining principals for regulation of and self-governance by platforms.
January 8, 2021	Zhang Gong, head of SAMR, says trustbusting is the agency's top priority for 2021.

Source: Various.[140]

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* The admonishment was published by Xinhua as a Q&A with PBOC vice governor Pan Gongsheng. It followed a meeting the day prior between Ant Group executives and senior Chinese financial regulators. *Xinhua*, "PBOC Vice Governor Pan Gongsheng Answers Reporters' Questions on Financial Regulator's Interview with Ant Group (中国人民银行副行长潘功胜就金融管理部门约谈蚂蚁集团有关情况答记者问)," December 27, 2020. Translation. *http://www.xinhuanet.com/2020-12/27/c_1126912928.htm*.

398 and Public Law 113-291. However, it does not necessarily imply an endorsement by the Commission, any individual Commissioner, or the Commission's other professional staff, of the views or conclusions expressed in this staff research report.

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