China denies plan for $1 bn Alibaba fine, but tech firms take a blow

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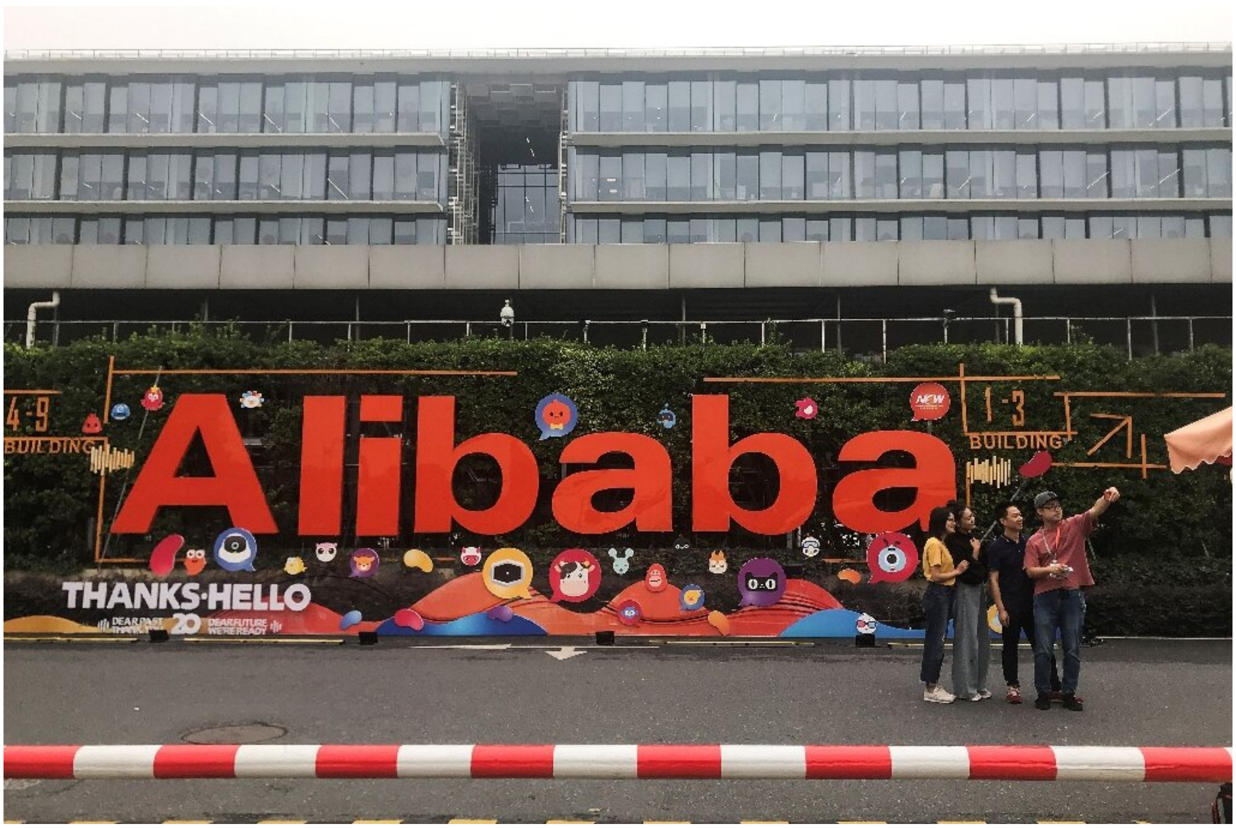

Alibaba has come under pressure from Chinese authorities in recent months as they crack down on the country's huge technology sector

China denied on Friday it was planning to hit e-commerce giant Alibaba with a record fine of almost $1 billion for allegedly flouting monopoly rules, as authorities turned up the pressure on the country's vast technology sector.

Alibaba, China's largest online shopping portal, has been in the crosshairs of authorities in recent months over concerns of its reach into the daily finances of ordinary Chinese people.

The market's regulator denied it was planning to fine the company almost $1 billion for anti-competitive behaviour, as reported by the Wall Street Journal, who cited unnamed sources "familiar" with the matter.

However, on Friday it hit 12 other tech firms—including giants Tencent, Baidu and ByteDance—with symbolic fines for allegedly flouting monopoly rules.

Tencent was fined $77,000 for its 2018 investment in online education app Yuanfudao without seeking prior government approval for the deal, the State Administration for Market Regulation said in a statement Friday.

Search giant Baidu has to pay the same amount for acquiring consumer electronics maker Ainemo under the radar in 2014.

Beijing has warned it will take an increasingly ruthless approach to antitrust questions.

Premier Li Keqiang last week said the government would "strengthen anti-monopoly laws" and "prevent the disorderly expansion of capital".

Analysts said Friday's blizzard of fines send a strong signal of the Communist Party's dominion over the country's tech landscape.

"These penalties send a message: the economy and everything within it must comply with the state's directive," Alex Capri, a senior fellow at the National University of Singapore's business school, told AFP.

Capri said heavy-handed regulations will rein in the ability of tech firms to gobble up market share and influence with unchecked acquisitions.

Alibaba's woes

The ongoing squeeze on Alibaba - one of China's most influential companies - is the latest sign that the leadership is ready to deflate the ambitions of big tech firms in a runaway internet sector.

The Wall Street Journal reported Thursday that officials are considering levying a hefty penalty against the company that could top the $975 million paid by US chipmaker Qualcomm in 2015—the biggest known fine for anticompetitive practices in China.

But the regulator in charge of the case told AFP there was no truth to the story.

"If it's not there (on our website), it's not (true)," a spokeswoman for the State Administration for Market Regulation said.

Still, the company's legal troubles linger. Problems began after comments in October by billionaire founder Jack Ma in which he laid into China's convoluted regulatory system.

In November, financial regulators pulled the plug on the record $35 billion Hong Kong-Shanghai initial public offering of Alibaba's online payment subsidiary Ant Group.

A month later, officials opened an investigation into Alibaba's business practices, deemed anti-competitive, and Ma disappeared from public view until mid-January.

The company, based in the eastern city of Hangzhou, last month said it was "fully cooperating" with the investigation by the State Administration for Market Regulation.

Regulators are also investigating whether the conglomerate should divest assets unrelated to its main online retail business, the Wall Street Journal reported, without offering details.

An Alibaba spokesperson declined to comment on the report when contacted by AFP.

The company has come under fire in the past for allegedly forbidding its merchants from listing on rival e-commerce platforms.

Once finalised, measures against Alibaba will need to be approved by China's top leadership.

Regulators have already told Ant Group to change its business model and hack back its lending, insurance and wealth management services.

Alibaba saw profits jump 52 percent to $12.2 billion over the last three months of 2020, despite the official crackdown.

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