

# **Six Questions on China's Digital Economy Competition<sup>1</sup>**

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After 20 years of rapid development, China has become an advanced digital economy second only to the United States. With the emergence of a new round of technological innovation, China is currently at a critical juncture in transition from mobile internet to industrial internet. This paper explores how to use market competition system to ensure a smooth and efficient structure transformation in the current competition environment in China.

In terms of market structure, China's digital economy market can be divided into five kinds of service: e-commerce, social media, travel, payment, and takeaway. The leading enterprises have made cross-service arrangements, basically covering the main living needs of residents. The players of such service markets usually exist in the form of internet platforms. Thus, platform economy is very important in China's digital industry.

In terms of market competition, China's digital economy industry is featured by high dynamics, mutual integration, administrative orientation and data competition. First, technological innovation promotes the continuous emergence of new models of industry and business, whose dividends in turn promote technological innovation. Thus, Internet platforms have often to face a pressure from subversive competition. Second, the common investment factors such as user traffic, data processing capability and platform operations lead to an obvious cross-border competition between internet platforms. Thus, they have to face the competition pressure from other markets. Third, high dynamics means that market competition can be influenced by a relatively small competitive advantage or disadvantage after its being magnified. Thus, administrative regulation has a more significant influence on digital economy than that on the traditional industries. Finally, competition in data traffic is a consensus in the digital economy, and another more important consensus in the industry is the privacy protection of and the fair use of data traffic.

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There are six questions on China's digital economy that need to be resolved: (a) there co-exists insufficient regulation and excessive regulation because of the lack of digital governance rules and the significant influence of public opinion on regulation; (b) regulatory agencies have not attached high importance to platform rules and industrial consensus because of regulatory orientation; (c) there is ~~no~~ insufficient protection of the legal rights and interests of medium and small operators and consumers; (d) there are difficulties for traditional analytical technologies and tools, including SSNIP, market concentration ratio and market shares, to be applied in the digital economy industry; (e) different regulatory agencies have powers to enforce law in finance, telecommunications, transportation and other specially regulated industries; (f) there is a dilemma of foreign-related business compliance rustling from the difference between China and other countries in digital economy regulation polices.

Based on the above analysis, this paper concludes that the current questions can be resolved from three perspectives: (a) to improve the predictability of laws and rules for facilitating a stable development of the industry; (b) to strengthen the independence and professionalism of competition law enforcement agencies for higher law enforcement efficiency and (c) to strengthen international cooperation between such agencies of China and other countries in order to achieve a good global arrangement in this regard.