Contemporary Chinese Political Economy and Strategic Relations: An International Journal Vol. 8, No. 1, April 2022, pp. 76-100

The Chinese Government's Response to the Online Transportation Industry: A Case Study of Uber Technology Inc.

Lili Yulyadi **Arnakim***
Department of International Relations, Bina Nusantara University, Jakarta, Indonesia

Ayu **Rusdyawat**i**
Department of International Relations, Bina Nusantara University, Jakarta, Indonesia

Abstract
Globalization has impacted significantly on economic, political, and social activities, not least because of the new concepts and practices that it generates and their multiple effects. Among the innovations is "sharing economy" exemplified by Uber Technologies Inc. Innovative business models such as Uber's and its methods of managing business have become a widely discussed topic in international relations studies. However, not much of the literature has discussed the actions the Chinese government has taken with regards to Uber's operations in China. In this paper, the author takes up this gap in the literature. It argues that claims that the Chinese government had intentionally taken

protectionist measures against Uber, or that such measures were instrumentalist and aimed at affecting change in US policy, to be contrary to evidence. Rather, the measures were the effect of "incidental protectionism" driven by the need to regulate the online taxi industry and in response to domestic discontent. The paper believes the findings broaden and deepen insight into actions taken by policymakers in response to innovative business model and operations.

Keywords *Uber China, Interim Measure Regulation, Government Regulation, Sharing Economy, and China*

1. Introduction

China is a developing country with a total population of 1,386 billion people; 119 of China's cities have a minimum of 1 million inhabitants each. By 2025, the number of cities with at least 1 million people will grow to 221. In each of these big cities, China faces an imbalance of population size in relation to the availability of vehicle accommodation. For companies like Uber, this presents a profitable opportunity to enter the Chinese market. Uber officially entered China in 2014 by establishing Uber China and launched its first operations in the Beijing and Shanghai areas (Hook, 2016). The presence of Uber in China with its innovative new business model has helped reduce the extent of the gap between available taxi capacity and the number of commuters seeking transportation (Zhang, 2019). Notwithstanding, the presence of Uber has also often triggered massive protests by companies and taxi drivers, who aggrieve of unfair competition with Uber in the market as a result of the deregulation or lack of regulation by the Chinese government of online taxi companies with business models such as Uber's. Zhang (2019) points out that Uber's first year in China plagued government officials with questions and uncertainty about the legal status of its operations and their implications. Much of the academic and policy literature, however, appear to have missed out on discussing this issue, despite its significance in the transport industry and among policy-makers. This provides the reason for this paper.

When the Chinese government responded in 2014 to Uber’s entrance and operations in the taxi industry, the response took the form of a circular by a local government stipulating the prohibition of private cars operating for commercial purposes. Yet, in 2015, the General Office of the State Council held a discussion to regulate the online taxi industry. The result of this discussion was the issuance in 2016 of “Opinions on the Deepening of Reform to Promote the Healthy Development of the Taxi Industry” (hereinafter, “The 2016 Opinion”) (Jiang, 2018). The 2016 Opinion states that ride-hailing service providers are licensed to operate legally in China. Also in 2016, the Ministry of Transport issued Interim Measure Regulations aimed at the “Administration of Online Taxi Booking Business Operations and Services or Online Service Taxi Booking and Business Operations”, effective November 2016 onwards (Zhang, 2019).

This paper looks at the application of the concept of protectionism by the Chinese government in regulating new business models such as Uber, as documented on the official website of government ministries and by news outlets and academic journals. The initial decision of the Chinese government to ban Uber’s ride-hailing services in several areas of China in 2014 was clearly a form of protectionism that aimed at protecting and helping the conventional taxi industry against Uber's activities. The government's protectionist stance can also be seen in the 2016 Interim Measure Regulation: Point 4 (on the obligations that companies must fulfil) states that companies with ride-hailing services must have a transparent data checking system; and that database must be connected directly to the authorities for transportation, communication, security, taxation, and cyberspace. This is in accordance with its laws on digital protectionism stipulating the need for localization of data and prevention against data from being transferred to other countries (Lancieri, 2018). Thus, the government's response to Uber was to enforce policies in the form of regulations, responses that can be categorized as protectionist. The government also sought to protect the domestic taxi industry due to concerns over Uber's role in promoting unfair competition for its own benefit. As will be discussed below, "incidental protectionism" might be ascribed to this type of government response.

Analysing the government's responses and reactions to Uber and other such entities has the potential to enhance our understanding of China's attitudes to the regulation of businesses with the new and innovative models emerging and spreading as a result of globalization and the "gig economy". This paper seeks to enhance and enrich our knowledge about both the benefits and costs to the activities of Uber and alike companies that are at the forefront of the gig economy. The authors seek to contribute to the discussions about what actions governments can take in response to the "Uberization" of economies, by welcoming and promoting innovation while at the same time trying to develop domestic industries. In addition to the empirical gap, we hope this paper also contributes a unique analysis and use of otherwise conventional concepts. Therefore, this paper is divided into three parts: the first part is a literature review of what is known and what is still unknown regarding the response of the Chinese government in regulating online transportation, in which the authors then discuss Uber's presence in China. Second part is the findings and discussion. Final part is the conclusion, where the authors suggest possible points of future research.

2. Literature Review and Conceptual Framework

Originally, China has imposed heavy regulations on taxi industry, such as entry regulation through licensing to limit the number of taxis allowed to operate and setting maximum price to be applied to customers (Li & Chen, 2016). These controls, which believed to be important to prevent market failure, however, have created serious problems in the market. One of them was the shortage of taxi, as the population of the country kept increasing but the number of taxi supply could not keep up with the high demand (Li & Chen, 2016). The needs to intervene in the taxi market so as to provide a balance between the number of taxis, the limited road capacity to absorb the vehicle crowd, as well as to keep pollution production under control (Li & Chen, 2016). Globalization has not only impacted the economic, political, and social activities around the world, but it has also led to the invention of new concepts. Among the phenomena connected to globalization and the gig economy is the emergence of the "sharing economy" business model, which has changed the patterns and activities of community consumption (Hamari, 2016). The definition of sharing economy is the activity of sharing human or physical resources arising from the encouragement and development of information and communication technology (ICT), increased consumer awareness, the proliferation of collaborative web communities, and trade / social sharing (Hamari, 2016). The sharing economy is divided into five sectors: finance, online staffing, music/video streaming, peer to peer (P2P) accommodation, and car sharing (Marshall, 2015).

A concrete example of a company embodying the sharing economy in the P2P accommodation category according to Marshall (2015) is Uber Technologies Inc. A technology company from San Francisco, Uber Technologies has expanded beyond the P2P accommodation sector to adopt and develop the sharing economy business model by offering "ride-hailing services", sometimes called "ride calling vehicles" (Marshall, 2015). Although known for having first introduced a new concept for accommodation, Uber went on to score achievements in other sectors of the US and European economies. According to McAlone (2015), Uber's 160,000 drivers make about 8,000 trips in one day in cities like San Francisco, and commands as much as 75% market share in places such as New York City. From this success, Uber then began to develop internationally by expanding its market starting to Paris and other cities around the world (McAlone, 2015). As Sheftalovich (2015) has shown, there are hundreds of drivers in Paris registered with Uber who offer services to one million active commuters. Uber has helped boost Europe's digital economy, with significantly strong support from the Netherlands, in particular (Scott, 2016). In addition to Paris, Uber also reaps success in London (Dudley, Banister, and Schwanen, 2017). Uber now operates in London under the Transport for London (TFL) legal umbrella. Uber has also proven successful in South Africa (Henama and Sifolo, 2017), where Uber has been beaten traditional taxis and has become the first choice of transportation for both tourists and local residents. Since its launch in South Africa in August 2013, Uber has created 2,000 new jobs for drivers (Henama and Sifolo, 2017). As a company with a global vision, Uber continued to expand its market to Asia. In 2014, it formally established its presence in China. While big cities in China face challenges due to the imbalance in the population size in relation to the availability of vehicle accommodation, this imbalance has served as a profitable opportunity for Uber. Having established Uber China, Uber launched its first operations in the Beijing and Shanghai areas (Hook, 2016).

China embraced the advancement of technology resulted from globalization by launching the concept of "Internet Plus" which was incorporated within the 2015 Government Work Report. Internet Plus refers to a “strategy to integrate internet with traditional industries” (China Daily, 2015). It is a form of economic development plan where internet plays as an important role to facilitate and act as a tool to implement innovations in various fields, which is then expected to spur economic growth of the country (Xu, 2015). It was probably due to this motivation that the government did not oppose to the idea of Uber entering the Chinese market although the nation’s regulation actually banned the use of private cars for commercial purposes. Uber China’s innovative new business model has helped reduce the level of gap between the lack of available taxi capacity and the number of requests by passengers in the market (Zhang, 2019). But apart from providing these benefits, Uber operations have triggered massive protests by companies and taxi drivers there. The crux of the protests is the claim that Uber created and profited from unfair competition in the taxi services market, although it is also a result of the deregulation or lack of regulation by the Chinese government on online taxi companies with business models such as Uber. Zhang (2019) points out that Uber's first year in China was plagued by legal uncertainty, especially among government not sure of how to respond to Uber’s presence and activities.

Not only faced with legal uncertainties, but Uber China also had to compete with its local competitor in ride-hailing companies, such as Didi Chuxing and Kuaidi, which later the two companies merged into Didi Chuxing and posed bigger threat to Uber China. The fierce competition between Uber China and Didi Chuxing, two ride hailing giants, forced them to fight for the market share by giving subsidies and bonuses to capture drivers and riders. This measure was reported to cause Uber losing one billion dollars a year in China. Uber’s defeat in China was apparent in terms of market coverage and number of rides, where Didi Chuxing operated in 400 cities in China with 14 million rides per day, whereas Uber could only expand in 60 cities with only 40 million rides a week (Zhen, 2018). Kim (2021) further explains that Uber's expenditure was not able to turn the company’s loss into profit as the company was reported to suffer a negative profit of 143%. Zhang (2019) examines China's new regulatory regime for the sharing economy and compares Uber’s experience under Chinese local government regulation to its operations in the EU, US, and the UK. She points out that in China, Uber’s operation has not completely overcome the legal hurdles, such as the need for valid permits at the level of local government. At the time of her paper, it was not yet known how the Chinese government would respond to and regulate the company. There were some other notable factors that might contribute to Uber's failure including Uber's lack of understanding of the Chinese market, underestimation of local competitors, huge losses during the year, and Uber’s stubbornness in avoiding partnerships with local companies. In addition to it, the Chinese government's regulations governing ride-hailing service providers was also argued to play an important role in causing Uber's failure. The emergence of technology-based companies with the concept of sharing economy that provides ride-hailing services such as Uber has sparked various debates about how to regulate this new business so as not to create unfair competition and losses for traditional taxi companies (Dudley, Banister, and Schwanen, 2017). Therefore, the Chinese government must immediately draw up regulations that are able to provide legality to sharing economy companies.

On July 28, 2016, the government of China finally legalized ride hailing services in the country through an establishment of a special regulatory mechanism for Uber and issued “Interim Measure Regulations” (Zhang, 2019). Furthermore, China's central government has also authorized local governments to participate in enforcing regulations to regulate the operation of ride-hailing companies. The enactment of a series of regulations by Chinese local governments was followed by onerous and costly requirements for sharing economy companies like Uber (Zhang, 2019). Consequently in 2016, Uber finally merged with its biggest competitor i.e., Didi Chuxing after operating in the Chinese market for 30 months with an agreement to hold 20 percent shares in the company (Golliher, 2016). Uber is well known for its extraordinary achievements in his home San Francisco, that enabled it to dominate the United States market, and even to outside the United States including European countries. Despite its dominance and success in the West, it is unfortunate that Uber's condition in China is on the contrary, because could only survive for less than 2 years in Chinese market (2014-2016). Bugador (2019) unveiled the biggest obstacles that are also a factor in Uber's failure in Asia, including: Credit card payment methods that are not in accordance with Asian culture, policy alignment, repeated violations of rules by Uber, and the Asian market that is said to be more competitive. In other words, the application of Uber's strategy in Asia and outside Asia produced different outcome and therefore the company needed to treat the two markets differently. Carson (2018) supports what has been Bugador’s argument by stating that in March 2018 Uber sold its business in Southeast Asia to Grab as its main competitor in the regional market which ended with Uber securing 27.5 percent of Grab’s equity and Uber handing its food delivery business to Grab.

Most of the past writings focused on analysing the failure of Uber in China by comparing Uber with its competitors. Little or none managed to provide explanation on the nature of the regulations issued by the government as regard to Uber or online ride hailing services in general which was assumed to have played a part in Uber’s failed survival in the Chinese market. This paper seeks to fill in that gap by using Uber China as a case study and specifically use the concept of protectionism to assist the authors in analysing the data. According to Abboushi (2010), protectionism is “the sum of government trade policies intended to assist domestic producers against foreign producers in a particular industry, by means of raising the price of foreign products, lowering cost for domestic producers, and limiting foreign producers’ access to domestic market.” As opposed to liberalists, the supporters of protectionism believe that government intervention is important in regulating a country's trade should make it a central part of policy. There are several arguments in favor of Protectionism. Alexander Hamilton, who is known as the founder of United States protectionism, called for the protection of domestic industries from foreign competition and the achievement of national power by means of tariff, import bans, and restrictions on exports of raw materials (Tucker, 2019). We can see until today, even though most countries have joined World Trade Organization (WTO) and practicing the so-called free trade with one another, the governments are still allowing some limitations or elements of protectionism on certain goods/services and industries. The research method that will be used in answering and discussing the findings is a qualitative method. This paper relied on secondary data in the form of books, research reports, journal articles, and news articles. To analyse the collected data, the author used qualitative analysis technique– during which the researchers switched back and forth continuously between data collection, data reduction and data presentation until the results and conclusions are found accordingly, and the findings are sharpened to cater to the objective of this research.

3. Findings and Discussion

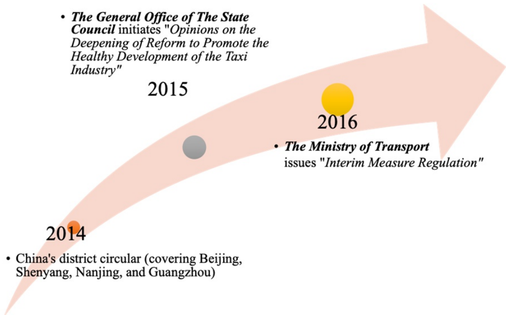
This paper will first determine the intention of China’s government against Uber by analysing the indicators stated in the policy. The form of response given by the Chinese government to regulate the operation of

Uber and similar services is then identified using the concept of protectionism, particularly the one developed by Philip I. Levy in his writing "Imaginative Obstruction: Modern Protectionism in the global economy". According to his writing, protectionism can be classified into three: "incidental protectionism", "intentional protectionism", and "instrumental protectionism". The following paragraphs provide an explanation of each of the three types of protectionism by Levy, followed by a few indicators to facilitate the identification.

3.1 Incidental Protectionism

Levy's incidental protectionism is a type of protectionism that does not appear to discriminate against foreign products/services, but explicitly limits the movement of foreign products/services by incorporating non-trade elements into the regulations, such as setting certain security and safety standards as requirements for the foreign products/services entering the domestic market (Levy, 2009). In the case of Uber China, we can argue that Chinese government's policy against it does not explicitly reflect the government's desire to protect domestic industries, as the policy formulations are aimed at both foreign and domestic industries – rather than discriminatory against one or the other – that fall under the same category of industrial activity (Levy, 2009). In this case, the regulated industry is online transportation or ride hailing services in particular as a form of protection of conventional taxi industry. The relative leniency against Uber's market penetration in China can be shown when the Chinese government had initially welcomed Uber without a prior structure of integrated industry standards, policy framework, set of regulations. Furthermore, the non-discriminative measures applied for Uber is evident as the same regulations are also imposed on the local company, Didi Chuxing. Figure 3.1 below shows the Chinese government's response to the online taxi industry, from 2014 (when Uber began operating in China), to 2016 (Uber's final year in China).

Figure 1 Responses of the Chinese government to Online Taxis 2014-2016

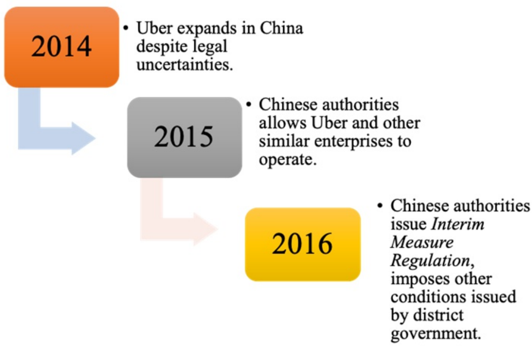


Source: Adapted from Chinese Law Info

To trace back, the response of the Chinese government in 2014 to the online taxi industry took the form of a circular by a regional government that prohibited the operation of private cars for commercial purposes. This prohibition followed earlier actions in June 2014 by several local governments. In the Beijing area, for example, officials carried out an enforcement campaign against ride-hailing services such as Uber that operated without a license (Yifei, 2015). Under this campaign, the Beijing Transportation Authority increased patrols and inspections at city airports, train stations, and in the downtown business district for vehicles involved in illegal commercial operations (Yifei, 2015). In addition to the Beijing authorities, those of Shenyang, Nanjing, and Guangzhou also issued in 2014 their own circulars expressly prohibiting the unlicensed operation of private cars (Yifei, 2015). In 2015, the General Office of the State Council of China held a discussion on regulating the online taxi industry. The result of this discussion was the issuance of The 2016 Opinion (Jiang, 2018). The 2016 Opinion states that ride-hailing service providers are licensed to operate legally in China. But it also lays out guidance and background documents on the regulations for the taxi industry, and five principles for taxis to adhere to: (1) the need to ensure passenger safety; (2) the urgency of reform and innovation; (3) the coordination of benefits to all stakeholders; (4) compliance with legal regulations; and (5) recommendations for regional autonomy (Jiang, 2018). Subsequently, in 2016, the Ministry of Transport issued “Interim Measure Regulations”, aimed at the administration of online taxi booking business operations and services, which were to take effect in November 2016 (Zhang, 2019). The Interim Measure Regulations cover requirements that a ride-hailing company must meet in order to continue operating in China. They include the requirement for a market access permit, which regulates the classification and license for vehicles used by ride-hailing companies as well as driving permits for drivers (Zhang, 2019). The thorough discussion until the issuance of the Interim Measure Regulations were due to the pressure from conventional taxi drivers who felt aggrieved by Uber's operations that produced unfair competition in the sector (Zou, 2016).

After the implementation of the Interim Measure Regulations, the central government granted further powers to each regional government to provide more detailed prerequisites for regulating ride-hailing service providers (Jiang, 2018). Since being granted the increased authority, increasing numbers of regional government policies have been issued. These local government policies are similar to the Taxi Service Management Regulations designated by the Beijing Network and issued on 21 December 2016, the regulations ordered by the Shanghai regional government (also issued on 21 December 2016) and other regional governments (Zhang, 2019). These regulations include detailed requirements regulating drivers and vehicles belonging to ride-hailing companies. For example, drivers in Shanghai are required to be registered residents domiciled in Shanghai, and the vehicles that they operate likewise registered under that city's authorities (Jiang, 2018). The response of the Chinese government to Uber appears to have developed incrementally from 2014 to 2016, as shown in Figure 3.2.

Figure 2 Response of the Chinese government for Uber 2014-2016



Source: Adapted from Chinese Law Info

From the discussion above, the response of the Chinese government to Uber was clearly protectionist, as manifested in its issuance of the Interim Measure Regulation 2016 and its ban on companies operating ride-hailing services in several areas of China in 2014 in favor of the conventional taxi industry. The government's protectionism can be seen particularly in the Interim Measure Regulation's "Point 4"; companies with ride-hailing services must have a transparent data checking system, which must be connected directly to the authorities responsible for transportation, communications, security, taxation, and cyberspace. In line with the policy of digital protectionism, the Chinese government was acting to ensure the localization of data and to prevent it from being transferred to other countries. The need of this data sharing is to help identify and track passengers for security and safety reason (Lancieri, 2018). Another notable component in the Interim Measure Regulation is that the platform or the company must purchase accident insurance for passengers and drivers. The same requirement is not applicable for conventional taxi drivers. Enforcement of this kind of regulation of course increase the operational cost for companies like Uber, which further added to the already huge expenditure of the company due to subsidies and what not. It was later found that the number of drivers owned by Uber China in 2016 reached up to 3.1 million drivers (TalkingData, 2016). So, the purchase of insurance must cover up to 3.1 million drivers. The implementation of the requirements in this policy is in line with the Chinese Government's objectives to improve the distribution of benefits, to facilitate a rational risk-sharing business model, and build a harmonious working relationship between companies and their employees (Zou, 2016). Based on the above explanation and indicators we have identified, it can be concluded that the Chinese government's response to Uber falls into incidental protectionism, as there are many non-trade elements included into the regulations, such as setting certain security and safety standards for platforms providing online ride hailing services.

3.2. Intentional Protectionism

Intentional protectionism is the deliberate type of protectionism, and has generally taken the form of import tariffs, export subsidies, and quotas. This type of protectionism is mainly applied by countries seeking to develop certain industries. The purpose of protectionism is clear and explicit in its policy formulation of favoring the domestic industry over imports (Levy, 2009). Import tariffs are the imposition of taxes on goods and services imported from outside when they enter the domestic market. For instance, the United States (US) set tariff of 127% on Chinese-manufactured paper clips that has been going on since 1990s when the government decided to protect American paper clip manufacturers from the far cheaper Chinese imports (Investopedia, 2020). Furthermore, subsidies are the provision of assistance to industries to limit competition. Assistance in subsidies can be in the form of direct assistance from the government, special tax incentives, and provision of credit programs (Cletus, 1988). The US government has long been known to provide subsidies and financial assistance for local farmers. Apart from taxes and subsidies, governments also apply quotas to limit the number of goods that are allowed to enter the domestic market.

To see whether the government of China's response toward Uber an intentional protectionism is or not, one can see a number of indicators, such as the tax rate on goods entering China and subsidies on domestic goods or suppliers. However, because Uber China is categorized as a form of Foreign Direct Investment that enters China and establishes a company rather than direct selling of goods or services, the tax rate cannot be applied to Uber. Uber is a technology company that does not sell services or goods but acts as an intermediary between its driver-partners and passengers in the market (Hook, 2016). Another indicator to look at is government subsidies. According to Intentional Protectionism, subsidies are applied to protect an industry, or sectors of an industry, often from foreign competition. If intentional protectionism against Uber took the form of government subsidies, such subsidies would have to be channelled to Uber's competitors in China with similar business model. In this context, Uber's main competitor in China is Didi Chuxing – the largest taxi company in China that offers a private car ride-hailing service. Yet, the Chinese government had not given any subsidies to Didi Chuxing or any other local company of the same type. Whatever subsidies that were given to them were there long before Uber entered China (Wang, 2011). Hence, intentional protectionism cannot be said to have been applied against Uber in the forms usually associated with that type of protectionism, such as import tariffs and subsidies.

3.3. Instrumental Protectionism

The third type of protectionism, instrumental protectionism, also incorporates elements of trade into its policy formulation. This form of protectionism is usually established to achieve foreign policy goals, such as to encourage changes in the political policies of other countries. Such policy is usually transparent, especially in comparison to the two previous forms of protectionism. If a threat issued succeeds in changing the policy of another country, then the protectionism policy need not be implemented (although, of course, it will affect the political relations of the two countries). However, if the result is that there is no political change on the part of the other countries, a form of trade protection will be applied as a consequence of the threat. Using the instrumental protectionism as a variable to identify the form of the Chinese government's response to Uber's presence, one might identify the use of threats to affect change in other countries. An example of this policy is United States' threat to leave the World Trade Organization Agreement if member countries did not include aspects of labour welfare and the environment in trade agreement mechanisms. However, the US’ threat was subsequently rejected by the majority of developing countries because it was difficult for them to implement such aspects of within the foreseeable future. Neither did the US’ threat to implement protectionist measures against developing policies work. The balance of power factor is an important consideration in implementing this type of protectionism. Instead of discriminating between domestic and foreign companies, the government of China set up some regulations to discriminate between two different types of business models within the same industry i.e., commercial transportation. Among the notable differences between the two businesses are: the Online ride hailing service platform has to make sure that the vehicles of the drivers meet operational safety standards by installing related facilities and equipment (GPS and emergency alarm systems); provide accident insurance for both drivers and passengers; The age of the driver’s vehicle cannot be more than 8 years old; vehicle fuel is more than 2,700 mm wheelbase and the vehicle must have renewable energy up to 260 mm; and the drivers should not have more than five traffic safety violations in the five years prior to the date of application. All of these regulations are specifically applied to platforms like Uber, and not imposed to conventional taxi companies and drivers. Given the above illustration, it can be argued that the policies against Uber were not issued as indirect threats or bullying by the Chinese government against the US as the government of Uber's country of origin. Rather, the regulations were created to ensure a more reasonable competition between online ride hailing service providers and conventional taxi companies in China. The Interim Measure Regulation is also applicable for all companies, both local and foreign without discrimination.

4. Conclusion

The emergence of new innovative business models in the sharing economy sector has been attributed to the rapid advancement in digital technology and has sparked a lot of attention from various policymakers around the world, including China. The phenomenon of “Uberization” – the model of booking a taxi service by mobile application – has forced the Chinese government to respond by drafting some regulations. China was among the first country to have initially issued regulations allowing ride hailing services such as Uber to operate, but this was followed by further actions and the imposition of various other conditions by the government to control the market so as to prevent market failure. The government of China was seen trying to balance between welcoming innovations and to protect domestic industries. China’s response to Uber is clearly a form of protectionist measures. To further explain the phenomena, this paper has applied the concept of protectionism and its different forms – intentional protectionism, incidental protectionism, and instrumental protectionism. The authors found that the Chinse government’s response toward Uber was more of an incidental type of protectionism. Firstly, the Interim Measure Regulations issued by the government was aimed at all online taxi companies without exception, including locally born companies such as Didi Chuxing and Yidao, whose business models are similar to Uber. Secondly, the majority of the elements in the Interim Measure Regulations were actually concerning safety and security of the drivers and the passengers that use the platform, instead of protecting domestic industries against Uber. The authors showed that there are some grounds to suppose that China had also resorted to intentional protectionism to regulate Uber as an online transportation company as there was element of tax element imposed on Uber. Protectionism has often taken the form of taxes on imported goods from foreign companies and the extension of subsidies for domestic ones. However, it cannot be said as a pure intentional protectionist measure because the tax imposed on Uber were not on goods (since it does not sell any), but instead the tax was levied because Uber was considered a foreign direct investment. Furthermore, there were no subsidies extended to local companies to help them compete with Uber, as what indicated in the explanation of intentional protectionism. Subsidies for local companies were already in place long before Uber entered China, and not due to its entry to the market. Lastly, China cannot be accused of using its policies against Uber as an exercise of instrumental protectionism, because there was no policy change in the US that the Chinese government was seeking or threatening to bring about. In other words, the Chinese government did not create the policies related to Uber in order to make changes to any of the policies of the United States as Uber's home country.

Hence, it can be concluded from the explanation of the three variables of protectionism and the indicators acquired from the Chinese government's policy toward Uber were more of incidental protectionism. That issuance of the Regulation was triggered by massive protests by conventional taxi drivers and companies that show their grievances resulting from the unfair competition in the market between conventional taxi companies and Uber drivers as well as concerns about the legality of Uber's operations. Although the regulation can be said as a protectionist measure by the government against Uber, it cannot be the sole factor that cause Uber to lose out to its local competitor and ended its 30 months operation in the country by merging with Didi Chuxing. As already covered by many writings in the literature, there are other factors that the authors believe to be more influential to Uber's decision to sell its business to Didi, such as value proposition and market strategy of Uber China. The government's action to finally provide legality for Uber and online transport companies is definitely showing the country's willingness to welcome and embrace technology advancement, as in line with the concept of “InternetPlus”. Nevertheless, such regulation is needed to establish control on the online industry and to prevent market failure, as the kind of Uber's business model had not previously existed in the Chinese market.

Notes

* Dr. Lili Yulyadi Arnakim is a Senior Lecturer in the Department of International Relations, BINUS University, Jakarta. He was a visiting professor at Asia Europe Institute (AEI), University of Malaya, 2016-2019. His current research projects are on China’s State Capitalism and Economic Development in Southeast Asia (2021), Gender Representation and Development in Southeast Asia (2020), Regional developmentalism in Southeast Asia (2019), funded by BINUS University, and a team member of H2020 Global governance research funded by European Commission. His latest works have published in Intellectual Discourse, AEI Insights: An International Journal of Asia-Europe Relations, Transylvanian Review, Revista De Cercetare Si Interventie Sociala, Sejarah, CCPS and Jati (Journal of Southeast Asian Studies). Lili Yulyadi Arnakim holds Ph.D from University of Malaya.

** Ayu Rusdyawati is a research associate in the Centre for Business and Diplomatic Studies (CBDS), Bina Nusantara University. Her research focus is in the area of Chinese politics.

References

Abboushi, S. (2010). Trade protectionism: reasons and outcomes. Competitiveness review: An International Business Journal, Vol. 20 (5), pp.384-394. Emerald Group Publishing Limited 1059-5422. <https://doi.org/10.1108/10595421011080760>

Bugador, R. (2019). The Global Expansion of Uber in Asian Markets. Int. J

Sup. Chain. Mgt, 569-575.

Carson, B. (19th September 2018). Where Uber Is Winning The World, And Where It Has Lost. <https://www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#750918af4d6e> (assessed in March 2020).

China Daily (30th December 2015). 'Internet Plus' changes people's lifestyles in China. <http://www.chinadaily.com.cn/business/2015-12/30/content_22868675.htm>

Cletus, A. G. (1st January 1988). Protectionist Trade Policies: A Survey of Theory, Evidence and Rationale. Research Division of the St. Louis Fed, 5-6.

Dudley, G., Banister, D., and Schwanen, T. (16th May 2017). The Rise of Uber and Regulating the Disruptive Innovator. The Political Quarterly, 88(3), 1-7.

Golliher, N. (1st August 2016). Uber China and Didi Chuxing merge into new $35 billion ride-sharing company. China Business Review. <https://www.chinabusinessreview.com/uber-china-and-didi-chuxing-merge-into-new-35-billion-ride-sharing-company/>

Hamari, M. A. (September 2016). The Sharing Economy: Why People Participate in Collaborative Consumption. Journal of the Association for Information Science and Technology, 2-5.

Henama, U. S. and Sifolo, P. P. S. (26th May 2017). Uber: The South Africa Experience. African Journal of Hospitality, Tourism and Leisure, 6 (2), 2-7.

Hook, L. (1st June 2016). Uber’s battle for China. <https://ig.ft.com/sites/uber-in-china/>

Investopedia (8th February 2020). Which Products and Companies Rely on Protective Tariffs to Survive? <https://www.investopedia.com/ask/answers/051315/what-are-examples-

products-and-companies-rely-protective-tariffs-survive.asp#citation-7> (assessed on 23rd September 2021).

Jiang, H. W. (2018). China’s Regulatory Approach to The Sharing Economy: A Perspective On Ride-Hailing. Journal Of Law, Technology & Policy, 2020, 95-100. <https://www.researchgate.net/publication/341228480_China%27s_Regulatory_Approach_to_the_Sharing_Economy_A_Perspective_on_Ride-hailing_Published_at_Journal_of_Law_Technology_Policy_Vol_2020_Iss_1_2020>

Kim, W. (8th July 2021). Let’s Talk About the Real Reason Ubers Are So Expensive Now. Refinery 29. <https://www.refinery29.com/en-us/2021/07/10553126/why-uber-fares-expensive-profit-millennials>

Lancieri, F. (2018). Digital protectionism? Antitrust, data protection, and the EU/US transatlantic rift. Journal of Antitrust Enforcement, 10=15.

Levy, P. I. (2009). Imaginative Obstruction: Modern Protectionism in the Global Economy. Georgetown Journal of International Affairs, 9-13.

Li, Y. and P. Chen (2016). A Study on Regulatory Reform of China’s Taxi Industry in the era of Internet Plus. 2nd International Conference on Humanities and Social Science Research (ICHSSR 2016). Atlantis Press.

Marshall, P. (3rd August 2015). The Sharing Economy. SAGE Business Researcher, 2-17.

McAlone, N. (13th September 2015). Here's how Uber got its start and grew to become the most valuable startup in the world. <https://www.businessinsider.com/history-of-uber-and-its-rise-to-become-the-most-valuable-startup-in-the-world-2015-9?r=US&IR=T> (assessed on 2nd March 2020).

Scott, M. (29th November 2016). Uber, Seeking to Expand, Defends Itself at Europe’s Highest Court. <https://www.nytimes.com/2016/11/29/technology/uber-europe-court.html>

Sheftalovich, Z. (3rd July 2015). UberPop suspended in France. <https://www.politico.eu/article/uberpop-suspended-in-france/> (assessed on 19th March 2020).

TalkingData (2016). Didi Merger with Uber Grows Monthly Active User Base by 40% in China. < HYPERLINK "https://newzoo.com/insights/articles/didi-merger-with-uber-grows-monthly-active-user-base-by-40-in-china/" https://newzoo.com/insights/articles/didi-merger-with-uber-grows-monthly-active-user-base-by-40-in-china/ > (assessed in 2020).

Tucker, J. A. (2019). Father of Protectionism: The Baneful but Lasting Influence of Friedrich List. < HYPERLINK "https://www.aier.org/article/father-of-protectionism-the-baneful-but-lasting-influence-of-friedrich-list/" https://www.aier.org/article/father-of-protectionism-the-baneful-but-lasting-influence-of-friedrich-list/ >

Wang, V. (20th October 2011). Report: Baidu, Alibaba and Tencent Receive Million Of Government Subsidy In Cloud Computing. <https://www.businessinsider.com/report-baidu-alibaba-and-tencent-receive-million-of-government-subsidy-in-cloud-computing-2011-10?r=US&IR=T>

Xu, B. (2015). China Internet Plus Strategy. Seconded European Standardization Expert in China (SESEC). <https://www.sesec.eu/app/uploads/2015/06/2015_05_SESECIII_Newsletter_April_2015_Annex02_China_Internet_Plus_Strat....pdf>

Yifei, C. (7th January 2015). South China Morning Post. <https://www.scmp.com/news/china-insider/article/1676011/beijing-officials-crack-down-uber-car-services>

Zhang, C. (4th August 2019). China's new regulatory regime tailored for the sharing economy: The case of Uber under Chinese local government regulation in comparison to the EU, US, and the UK. Computer Law & Security Review , 35(4), 462-475.

Zhen, Y. (2018). Case Study of the Uber Failure in China: A Technoethical Analysis Master's Research Paper.

Zou, M. (9th November 2016). The Regulatory Challenges of 'Uberization' in China: Classifying Ride-hailing Drivers. International Journal of Comparative Labour Law and Industrial Relations, Vol. 33, 284-288.