

Chinese business & finance

China government assigns officials to companies including Alibaba

Move is latest sign of tighter links between state and private sector

Louise Lucas in Hong Kong SEPTEMBER 23 2019

The government of the Chinese tech hub of Hangzhou is assigning officials to 100 local companies including tech group Alibaba, in the latest example of a tightening of the [ties](#) between the state and private sector.

The move, described as a local initiative, highlights one of the many flashpoints in China's tense relationship with the US. Washington's angst at the blurred lines between the state and its tech companies has already prompted Beijing to [downplay](#) its "Made in China 2025" industrial policy blueprint, which sets out sectors in which it wants domestic companies to dominate at home.

Companies including Alibaba already have communist cells embedded in their operations and top executives spend much of their time dealing with government officials on policy and other issues.

Other big enterprises corralled into the initiative include automaker Geely. Soft drinks group Wahaha was also part of the group, according to Chinese state media.

Hangzhou, about 175km or an hour's train ride from Shanghai, said the "innovative" move was part of its "New Manufacturing Industry Plan". Government representatives would service the important companies and help facilitate co-operation and communication with the government, state media *Zhejiang Online* reported.

Alibaba said move would function as "a bridge" between the government and private sector.

"We understand this initiative from the Hangzhou City Government aims to foster a better business environment in support of Hangzhou-based enterprises," a spokesman said.

"The government representative will function as a bridge to the private sector, and will not interfere with the company's operations."

Beijing has a complicated relationship with the private enterprises that it has nurtured with limited foreign competition and red tape, and often regards high-profile entrepreneurs who might present a challenge to its hold on society with suspicion.

As part of a recent crackdown on a group of private companies last year, the chairman of insurance group Anbang, Wu Xiaohui, was sentenced to 18 years in jail for fraud.

Beijing has sought to recalibrate its relationship with its tech champions as state-owned banks and other enterprises have seen business seep away to the ever-growing corporate empires of

Alibaba and its peer Tencent.

A decade or so ago China's 10 biggest companies by market value were all state-owned. Today the list is headed by Alibaba and Tencent, both of which rank among the 10 most valuable companies globally.

A nine-month moratorium on commercial licences for new games clobbered Tencent's earnings last year, and both it and Alibaba's payments affiliate Ant Financial saw earnings dented by a removal of the ability to invest customer deposits.

Alibaba meantime has yet to win approval for a restructuring that would see it [swap](#) its profit sharing arrangement with Ant for a 33 per cent stake in the company.

Fraser Howie, author of Red Capitalism, said the move highlighted how ostensibly private companies are "state overseen enterprises".

"All chinese corporates are effectively either state owned enterprises or state overseen enterprises," he said. "And there seems to be no move to get away from that and indeed more and more effort to make it very clear the private sector are beholden to the Party."

Additional reporting by Archie Zhang and Sherry Fei Ju in Beijing

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