

# Microsoft to Grow AI and Cloud in India



Microsoft plans to set up data centers in India, Nadella said.

Technology giant plans to invest \$3 billion to expand infrastructure there

By KIMBERLEY KAO

Microsoft plans to spend \$3 billion over the next two years to expand its cloud and artificial-intelligence infrastructure in India, the latest in a string of investment pledges by U.S. tech giants amid booming AI computing

needs. Microsoft Chief Executive Satya Nadella said at an event in Bengaluru, India, on Tuesday that the investment marks the company's single largest expansion in the country to date.

The company plans to grow its Azure cloud business in India and set up new data centers. It is aiming to train 10 million locals with AI skills by 2030.

Nadella made the announcement as part of his visit to the country.

He had met with Indian Prime Minister Narendra Modi on Monday and discussed the company's investment plans.

The U.S. company currently has three data-center clusters in India, with a fourth one in the works, as well as capacity built with telecommunications company Jio, a subsidiary of Indian conglomerate Reliance Industries, according to Microsoft.

The company plans to invest \$80 billion in AI data centers in its current fiscal

year ending in June, according to a blog post by Microsoft President Brad Smith last Friday.

Spending \$80 billion on data centers would continue the trajectory set in Microsoft's first quarter that ended last September, when it spent \$20 billion on capital expenditures and leases, primarily for data centers.

Revenue for the tech giant's Azure cloud business—a core element of its AI offering—rose 33% in its fiscal first quarter.

# U.K. Lawmakers Grill Shein On China Forced-Labor Fears

By SHEN LU

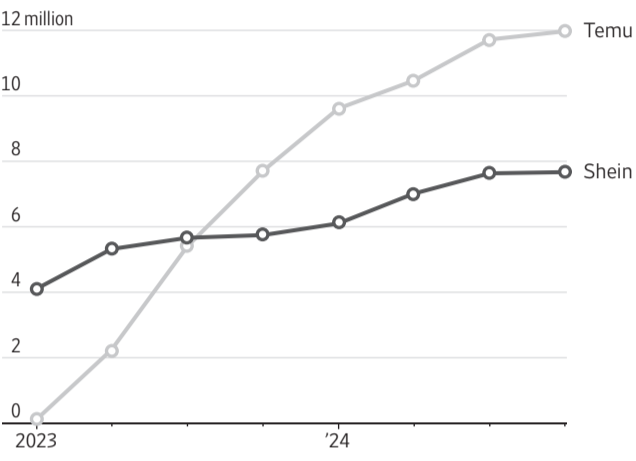
A U.K. parliamentary committee on Tuesday grilled representatives of China-founded bargain site **Shein** over the sourcing of its cotton, and declared severe dissatisfaction with Shein's lack of answers.

The questioning dominated a hearing on the labor practices of Shein and its rival, **Temu**, both of which have come under criticism in the West for allegedly using forced labor in their supply chains as well as inadequately protecting workers' rights in China.

Tuesday was the first time the two companies addressed the allegations in a public forum. The hearing particularly focused on Shein, which is seeking a London stock listing after its plans for a New York initial public offering collapsed last year.

At the conclusion of the hearing, Liam Byrne, the Labour lawmaker who chairs the parliamentary Business and Trade Committee, said the committee received some assurance from Temu but was "horrified" by the lack of in-

Monthly active users in the U.K.



The lawmakers decried a lack of clarity in Shein's responses.

formation Shein provided.

A panel of British lawmakers opened the hearing by bombarding Yinan Zhu, Shein's general counsel for Europe, the Middle East and Africa, with repeated questions about whether the fashion giant sources cotton from China or its Xinjiang region, where Western critics accuse Chinese authorities of using forced la-

bor in its repression of Uyghurs. Beijing denies the allegations.

Where Shein sources cotton and how it addresses the questions have become a central problem for Shein since it started seeking a public listing in 2023.

U.S. law bans imports linked to Xinjiang, and lawmakers' pressing Shein for reassur-



GILLES SARRIE FOR WSJ

ances on the issue was one factor in Shein's failure to secure a New York listing. The U.K. doesn't have a similar law, but in June, the same month Shein filed to list shares in London, a U.K. human-rights organization launched a legal campaign to stop the listing over concerns of its labor practices.

Rooting out Xinjiang cotton completely from a Chinese supply chain is tricky; independent tests indicate Shein has made more progress than the industry at large in doing so. However, addressing such efforts publicly could antagonize Beijing, whose approval Shein also needs for its listing efforts. Beijing in the past has swiftly retaliated against companies with operations in China that are seen as bowing to Western criticism over Xinjiang.

At Tuesday's hearing, Zhu dodged all the cotton-related questions by saying that the company complies with laws and regulations where it operates and explained Shein's compliance programs. She said she would have to get back to the committee after the hearing on operational questions.

When asked whether Shein believes or fears there is forced labor in Xinjiang, Zhu said it isn't the company's place to comment on geopolitical issues. "I am only able to answer questions as they are related to our business."

Lawmakers became visibly frustrated by the lack of clarity from Zhu's answers as the grilling went on. One member of Parliament said it was "ridiculous" that she wouldn't answer a simple yes-or-no question about whether Shein

sources cotton from China.

Other questions on child-labor concerns, working hours at Shein's manufacturing partners as well as Shein's IPO plans also yielded answers lawmakers saw as evasive.

"You've given us almost zero confidence in the integrity of your supply chains," Byrne said as he concluded the hearing. "The reluctance to answer basic questions frankly bordered on contempt of the committee," Byrne said.

Shein has said it has zero tolerance for forced labor and is committed to respecting human rights, but has over the years changed its statements on Xinjiang cotton, a strategy that appears designed to avoid retaliation from Beijing. It told The Wall Street Journal in 2023 it didn't source cotton from Xinjiang or even from China. Its more-recent statements leave out any mention of Xinjiang. Shein's website has removed a report on sustainability and social impact, with information about its cotton sourcing, tracing and testing.

The Tuesday hearing was part of the U.K. Business and Trade Committee's inquiry into the British government's new Employment Rights Bill. It came as Shein waits for the U.K.'s Financial Conduct Authority to approve its IPO application.

Shein had expected to list on the London Stock Exchange in the first quarter of this year,

according to people familiar with the matter.

While Shein was founded in China and has most of its suppliers there, its headquarters is now in Singapore. It sells to more than 150 countries, but has no customers in China. Shein has over seven million monthly users in the U.K., according to market-intelligence firm Sensor Tower.

Shein has won enormous popularity among U.S. and European users with its ultra-cheap fashion items made of mostly synthetic materials. People close to the company have said cotton makes up only around 4% of Shein's clothing sold in the U.S.

Oritain, a New Zealand-based company that verifies the origin of raw materials, said tests of Shein cotton samples in 2022 and 2023 indicated that 1.7% originated in what it calls "unapproved regions," widely understood as Xinjiang. This compares with the 2023 industry average of 9%.

Temu, which sells a variety of items on its platform such as garden tools and office supplies, isn't as fashion-focused as Shein.

At Tuesday's hearing, Temu also was subject to questions, but after senior legal counsel Stephen Heary said less than 1% of the products sold on Temu to U.K. consumers contain cotton and that Temu doesn't allow sellers from Xinjiang on its platform, the committee stopped asking Temu about forced labor.

## China-founded Shein is seeking a listing on the London Stock Exchange.

# U.K.'s Competition Watchdog Plans New Probes of Tech Giants

By EDITH HANCOCK

The U.K. competition regulator said it would open investigations into at least three types of tech platforms at the start of this year to work out which tech giants need to obey a new law governing the digital economy.

The Competition and Markets Authority on Tuesday said it plans to launch its first probes this month under the Digital Markets, Competition and Consumers Act, which took effect on Jan. 1.

The DMCC gives the U.K. regulator new powers to rein in big tech companies and level the playing field for companies that rely on platforms like app stores and social networks to reach cus-

tomers.

Under the rules, the CMA can identify technology companies it believes have a "strategic market status," or SMS, relating to specific type of digital platforms such as app stores, browsers and on-line advertising.

From there, it can impose strict guardrails on how those companies run their platforms in the U.K.

That can mean banning tech groups from favoring their own products and services over those of rivals or using customers' data to give themselves an unfair advantage over smaller players.

The watchdog said it plans to launch SMS designation investigations connected to two types of digital activity this

month, and will take a short pause before opening a third probe later in the year.

Those designation investigations should be wrapped up in about nine months, the CMA said, adding that it also would consult industry players on a set of proposed conduct requirements in parallel with them.

More detail is expected this month, it said.

"The new digital markets competition regime provides a unique opportunity to harness the benefits of investment and innovation from the largest digital firms whilst ensuring a level playing field for the many startups and scale-ups across the U.K. tech sector," said Sarah Cardell, the CMA's chief executive.

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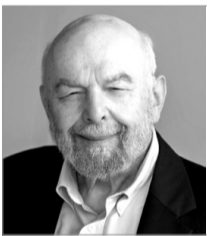
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