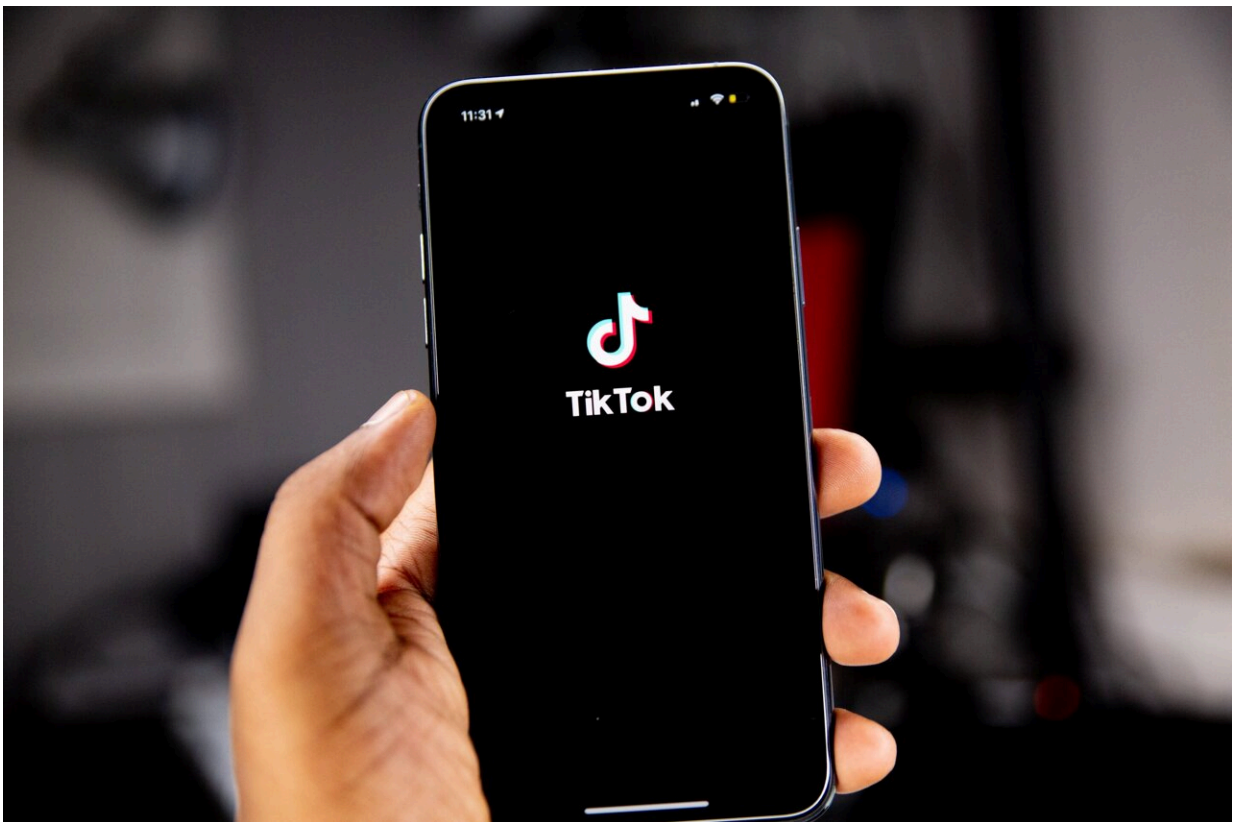


# Is TikTok's parent company an agent of the Chinese state? In China Inc., it's a little more complicated

March 18 2024, by Shaomin Li

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Does the Chinese government have officials inside TikTok's parent company, ByteDance, pulling the strings? And does the storing of data

from the popular social media app outside of China protect Americans?

These questions appear to dominate the current thinking in the U.S. over [whether to ban TikTok](#) if its owner, Chinese technology giant ByteDance, [refuses to sell the platform](#).

But in my opinion—forged through [40 years as a scholar of China, its political economy and business](#)—both questions obscure a more interesting point. What's more, they suggest a crucial misunderstanding of the relationship between state and private enterprise in China.

Simply put, there's no clear line between the state and society in China in the same way that there is in democracies. The Chinese Communist Party—which is synonymous with the Chinese state—both owns and is the nation. And that goes for private enterprises, too. They operate like joint ventures in which the government is both a partner and the ultimate boss. Both sides know that—even if that relationship isn't expressly codified and recognizable to outside onlookers.

## **ByteDance under the microscope**

Take ByteDance. The company has become the focus of scrutiny in the U.S. largely due to the outsized influence that its subsidiary [plays in the lives of young Americans](#). Some [170 million Americans](#) are TikTok users, and U.S. politicians fear their data has a direct route back to the Chinese state via ByteDance, which has its head offices in Beijing.

Location aside, concerned voices in the U.S. cite the evidence of former ByteDance employees who suggest [interference from the Chinese government](#), and reports that the state has quietly [taken a direct stake and a board seat](#) at Beijing ByteDance Technology Co. Ltd., ByteDance's Chinese subsidiary.

Grilled by the House Committee on Energy and Commerce in March 2023, TikTok's Singaporean CEO Shou Zi Chew [said unequivocally](#) that ByteDance was not "an agent of China or any other country."

The history of the Chinese government's dealings with private companies suggests something more subtle, however.

## The rise of China Inc.

Over its century-long history, the Chinese Communist Party has sought to exercise control over all aspects of the country, including its economy. In its early days, this control took the form of a heavy-handed [command economy](#) in which everything was produced and consumed according to government planning.

China took a step in a more capitalist direction in the latter half of the 20th century after the death of Mao Zedong, founder of the People's Republic of China. But even the [reforms of Deng Xiaoping](#) in the late 1970s and 1980s—credited for opening up China's economy—were in the service of party goals. Because China's economy was in ruins, the party's emphasis was on [economic development](#), and it loosened its grip on power to encourage that. The continuation of party control was still paramount—it just needed to reform the economy to ensure that goal.

That didn't mean the party wanted pluralism. After decades of economic growth, and with a GDP surpassing that of the U.S. when [measured by purchasing power parity](#), the Chinese government once again started to shift its focus to a comprehensive control of China.

In recent years, under the increasingly [centralized control of Xi Jinping](#), the Chinese government has evidently opted to run the entire country as a [giant corporation](#), with the ruling party as its management.

## A party with unusual power

Unlike political parties in democracies, which people freely join and leave, the Chinese Communist Party resembles a secret society. [To join](#), you need to be introduced by two party members and tested for an extended period, and then pledge to die for the party's cause. Quitting it also [needs approval by the party](#). [Orders are implicit](#), and protecting one's superior is crucial.

People who don't cooperate face serious consequences. In 2022, an official warned a resident who disobeyed the official's order in COVID-19 testing that three generations of the resident's descendants [would be adversely affected](#) if he were uncooperative. The same is true of businesses: Ride-sharing company Didi incurred the party's displeasure by listing its stocks in the U.S., and was harshly punished and forced to delist as a result—[losing more than 80% of its value](#).

Since those who disobey the party are weeded out or are punished and seen to have learned their lessons, all surviving and successful private businesses are [party supporters](#)—either voluntarily or otherwise.

The rapid emergence of [China Inc.](#) has caught even seasoned Chinese entrepreneurs off guard. Consider the case of [Sun Dawu](#), a successful agricultural entrepreneur known for advocating for rural reform and the rights of farmers. That offended the party, and in 2020, authorities confiscated all his assets and sentenced him to 18 years in prison.

As if that weren't enough, China's National Intelligence Law granted broad powers to the country's spy agencies and obligates companies to assist with intelligence efforts. That's why some American lawmakers are concerned that ByteDance could be [forced to hand over Americans' private data](#) to the Chinese state. [TikTok denies](#) this is the case.

However, recently [leaked files](#) of I-Soon, a Chinese hacking firm, reveal

public-private collusion in data sharing is common in China.

That's why I'm not convinced by TikTok's argument that American users' data is safe because it's stored [outside of China](#), in the U.S., Malaysia and Singapore. I also don't think it's relevant whether the party has members on the ByteDance board or gives explicit orders to TikTok.

Regardless of whether ByteDance has formal ties with the party, there will be the tacit understanding that the management is working for two bosses: the investors of the company and—more importantly—their political overseers that represent the party. But most importantly, when the interests of the two bosses conflict, the party trumps.

As such, as long as ByteDance owns TikTok, I believe ByteDance will use TikTok to support the party—not just for its own business survival, but for the safety of the personnel of ByteDance and TikTok, and their families.

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