



TikTok and China’s Digital Platforms: Issues for Congress

Congress and U.S. policymakers at the federal and state levels have taken steps to address their national security-related concerns about the extent to which the People’s Republic of China’s (PRC or China) influences digital platforms that are directly or indirectly tied to the PRC and operating in the United States. Most U.S. actions to date have focused on TikTok, owned by ByteDance, a company with ties to the PRC government. Other expressed concerns include PRC platforms’ large user bases, access to large amounts of U.S. data, and company data and content policies. In December 2024, TikTok said in its court filings that it had 170 million U.S. users. TikTok’s CEO testified to Congress in March 2023 that ByteDance retains in the PRC at least seven years of U.S. TikTok users’ data. Enacted in April 2024, P.L. 118-50 (Div. H and Div. I) requires ByteDance to divest from TikTok, allows the President to address other PRC-controlled digital platforms, and directs the Federal Trade Commission to enforce provisions that prohibit data brokers from transferring U.S. personally identifiable sensitive data to foreign adversaries, including the PRC.

PRC digital firms are able to serve both the U.S. and PRC markets, while PRC investment and technology policies restrict U.S. firms from operating in China. This asymmetry raises issues for Congress about market access reciprocity, fair competition, and U.S. regulation of PRC firms. PRC digital platforms have expanded in the U.S. market over the past 10 years. Many firms have entered regulated or restricted parts of the U.S. economy—broadcasting, media, health, and finance—via mobile applications (apps).

Digital platforms are internet-connected and software-based digital spaces that facilitate the exchange of goods, services, and information through online interactions. For this report, **PRC digital platforms** or **platforms that have PRC ties** refer to digital platforms that are headquartered in China, subsidiaries, or firms otherwise tied to a company headquartered in China, or whose relevant technology and core business functions (e.g., algorithms, software and technology development, and intellectual property) are based in China, owned by a PRC parent or subsidiary, and/or subject to PRC jurisdiction. In some cases, PRC digital platforms might be incorporated or headquartered outside China. The PRC digital platforms discussed in this report are not exhaustive.

China’s Digital Platform Development

PRC policies prioritize the role digital platforms play in China’s economic competitiveness, the development of emerging technologies, and PRC global projects in sectors such as communications, smart cities, financial, and logistics services. China’s digital platforms emerged in the late 1990s with the help of PRC government policies that restricted U.S. and other foreign internet services firms from operating in China while promoting alternative PRC

competitors. Alibaba began in 1999 as a competitor to Amazon and formed Alipay in 2003 to compete with PayPal. Baidu started as a Google competitor in mapping and search engines. Sina Weibo began as a competitor to Twitter. Tencent’s WeChat competed with WhatsApp. In 2016, ByteDance refined the algorithm from its news aggregator business (Toutiao) to launch Douyin (a predecessor-turned companion PRC application to TikTok), a service that competed with Facebook and YouTube. The PRC universe of digital firms has expanded as industry has adopted digital services, and now includes other firms, such as BGI (biotech) and DJI (drones).

As PRC digital firms became viable in China, some moved into global markets. The PRC government allowed some PRC firms to list and expand overseas. In 2014, Alibaba raised \$21.8 billion in its offering on the New York Stock Exchange. U.S. investors in TikTok’s PRC parent ByteDance include Sequoia Capital, Susquehanna Group, and KKR. Some PRC firms focused on app offerings to enter foreign markets. They used existing foreign operating systems on mobile phones (e.g., Apple’s iOS and Google’s Android) to avoid upfront technology infrastructure costs and expand quickly. Once established, some PRC firms developed their own infrastructure, such as cloud services, data storage, and semiconductor design. PRC firm Huawei has launched its own operating system (Harmony OS).

Some PRC firms inherited foreign user bases and licenses through acquisitions. This approach gave some firms, such as TikTok’s parent ByteDance, a significant initial U.S. market position, and accelerated these firms’ expansion. In 2017, ByteDance acquired musical.ly, a short-form video app firm. The deal gave ByteDance 80 million monthly U.S. users—a base almost half of TikTok’s current user base. ByteDance then used that U.S. user base in launching TikTok. In another example, Tencent invested in Snap and Epic Games (owner of the gaming platform Fortnite).

Some PRC digital platforms, such as TikTok, are incorporated and/or headquartered in the U.S. and third markets, and have core engineering and technology functions in China and other PRC ties. Temu, founded in Boston, is controlled by a PRC firm. Zoom Video Communications, Inc., founded in California, incorporated in Delaware, and headquartered in the United States, reports in its FY2024 annual report that “a significant portion of our research and development organization resides in China” and that “we have a significant number of employees, primarily engineers, in China, where personnel costs are less expensive than in many other geographies.”

Table 1. Select Examples of Digital Platforms in the U.S. Market that have PRC Ties

PRC Business	U.S. Business	Sectors
ByteDance/Douyin	TikTok	Social media
Tencent	WeChat	Super app
	Snap/Snapchat	Social media
	Blizzard, Riot, Epic	Gaming

PRC Business	U.S. Business	Sectors
Alibaba	Alibaba, Alipay	E-commerce/payments
Baidu	Apollo	Mapping, autonomy
Yidian Yixun	Newsbreak	News, media
PDD	Temu	E-commerce, clothing
Shein	Shein	E-commerce, clothing
Zoom subsidiaries	Zoom, Zoom.gov	Business software
Shiji Tech	Shiji Technology	Business software/hotel
Binance	Binance.US	Crypto

Source: CRS, with information from media and corporate reports.

PRC Influence and Control

Since 2014, the PRC government and the Communist Party of China (CPC) have adopted interrelated laws, economic security measures, and data restrictions that enhance control over data and commercial activity, within and outside of China. They have expanded data localization requirements and placed controls on the export of data and algorithms. In 2021, they introduced security review requirements for PRC firms listing or operating overseas. These provisions require firms to adhere to PRC rules when they conflict with U.S. laws. PRC measures seem to be more extensive than other countries' approaches to data security. Such measures have affected U.S. firms' operations in China, raising questions about the extent to which PRC firms operating offshore are independent of the PRC government. Examples of PRC authorities include

- China's National Security Law (2015) requires information systems in China to be "secure and controllable." The law underpins requirements that U.S. firms store data and cryptographic keys in China.
- The PRC's National Cybersecurity Law (2017) requires firms to store personal information and data within China. The law builds on related requirements to place PRC data and related infrastructure in China.
- China's Data Security Law (2021) covers data processing inside and outside China if it "harms the national security, public interest, or the legitimate rights and interests of citizens or organizations of the PRC." It requires PRC government approval for the transfer of data stored in China and calls for classifying data based on its importance to economic and security interests.
- In August 2020, the PRC government placed export controls on algorithms used in social media platforms. Some experts saw this as an effort to influence TikTok and other PRC digital firms' offshore operations.

The CPC requires all firms to house a Party committee that is empowered to attend board meetings and be part of decisionmaking. The PRC government is also an indirect shareholder in some firms. For example, it holds a board seat in Douyin Information Services Co., Ltd (the owner of TikTok's core technology) via a 1% shareholding by a firm backed by China's internet regulator. Other PRC tools to influence PRC digital platform firms include

PRC official content guidelines and censorship rules restrict and promote content on PRC digital platforms.

China's anti-espionage, cybersecurity, and data security laws compel firms to support PRC state security authorities.

The core business (e.g., software and technology development) and intellectual property is based in China, owned by a PRC parent or subsidiary, and subject to PRC jurisdiction. Offshore structures can obfuscate such ties.

Key U.S. Government Actions to Restrict Certain PRC Digital Firms

May 2019: Executive Order (E.O.) 13873 declared a national emergency to secure U.S. information and communications technology and services supply chains. The E.O. has been renewed annually since 2019.

January 2020-present: Some federal agencies and state governments banned the TikTok app on government devices.

March 2020: A Presidential Order required Shiji Technology to divest StayNTouch, a U.S. software provider under the Committee on Foreign Investment in the United States (CFIUS) authorities. It did not ban the firm from operating in the U.S. market.

August 2020: A Presidential Order required ByteDance to divest Musical.ly/TikTok under CFIUS authorities. TikTok contested the Order in court. Since February 2021, the case has been in abeyance at the request of the parties.

August 2020: E.O. 13942 and E.O. 13943 (later rescinded) restricted the U.S. operations of TikTok and WeChat. Court injunctions blocked their implementation.

January 2021: E.O. 13971 provided for scrutiny of apps and software developed or controlled by PRC firms.

June 2021: E.O. 14034 replaced E.O. 13942 and E.O. 13943. It created a Commerce Department program to address risks of foreign adversary-owned internet-tied and software firms.

Issues Before Congress

The executive branch has restricted some PRC digital firms' operations (**text box**). P.L. 118-50 focuses on national security issues and platform conduct and allows the President to restrict foreign adversary-controlled apps. The law designates TikTok as a "foreign adversary-controlled application" and requires ByteDance to sell TikTok to a non-PRC owner by January 19, 2025, or face a ban on app stores and internet hosting services supporting the app. In December 2024, the U.S. Court of Appeals for the District of Columbia Circuit upheld the law in a legal challenge by TikTok. TikTok then asked the court to bar enforcement of the law while it appeals to the Supreme Court. P.L. 118-50 allows the President to authorize a "qualified divestiture" of TikTok and impose terms. A 2020 Presidential Order required ByteDance to divest Musical.ly may inform a "qualified divestiture." In referring the matter to the President, CFIUS "unanimously recommended" such action expressly "to protect U.S. users from exploitation of their personal data." TikTok tried to reopen a mitigation path that CFIUS determined was not viable by legally challenging the Order, mostly on due process issues, and re-publicizing mitigation ideas. Some experts said TikTok could have stored data in the United States under U.S. government monitoring. Others said such an approach would not have addressed TikTok's ties to technology and functions in China, such as regular software updates and continuous data transmission. Congress might (1) exercise oversight over any divestiture; (2) examine whether TikTok's legal challenges suggest any statutory or policy gaps; and (3) consider whether to act with regard to other PRC platforms.

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