

Analysis: How Trump's TikTok Deal Helps China

The deal doesn't really address data or privacy concerns. It does help regimes attack U.S. companies.

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Though the Trump administration's handling of the TikTok case has drawn criticism from a broad spectrum of American tech watchers, the editor of one state-backed Chinese newspaper, at least, thinks it should become a model for restructuring other Western tech companies. That's likely because the White House's chosen path appears to do little to restrict Beijing's ability to use the video-sharing app to collect data about its users — or practices President Trump called national-security threats.

The final details of the deal have yet to be made public, but news reports indicate that the TikTok app and its server backend will be spun off from its inventor, the Chinese company ByteDance, into a new company called TikTok Global. ByteDance would retain 80 percent ownership of the new company, U.S.-based Oracle would get 20 percent and responsibility for the app's cloud backend, and Walmart would take over merchandising.

None of this would stop the app from collecting cell location data, keystroke patterns, device identifiers, and more data about its users. (TikTok users agree to provide these under its terms of service.) And none of it would stop the Chinese government from obtaining this data through third-party data brokers — or, depending on the sale conditions — through ByteDance itself.

This reflects a fundamental security issue at the heart of the app economy, much of whose profits flow from selling users' data. Most Americans have little idea what happens to their data once it's collected by apps, including how it can be sold and resold, even if they bother to read the terms-of-service agreement they consent to in order to use the app. European residents have a somewhat better understanding, thanks in part to comprehensive 2018 data privacy laws passed by the European Union.

While it is true that virtually any app based in China could be forced to hand user data over to the Chinese government, under the 2017 National Security Law, the White House's focus on TikTok — and, not, say games and other widely used apps made in China — has a nasty smell to it.

An August *Wall Street Journal* report indicates that Facebook founder Mark Zuckerberg privately lobbied the Trump administration to crack down on the app, which has become a main rival to Facebook's Instagram.

“I am not convinced that TikTok is inherently more threatening to Americans than any other Chinese-owned app that collects data from Americans. If TikTok is a threat, so are WeChat,

Alibaba and League of Legends, the popular video game, whose maker, Riot Games, is owned by China's Tencent," *New York Times* columnist Kevin Roose wrote in July.

On Friday, an expected ban on the service drew harsh criticism from economists, human rights watchers, and technologists.

"The Trump Administration has provided no evidence that a ban on WeChat and TikTok is necessary to address a national security threat," wrote Daniel Castro, vice president at the Information Technology and Innovation Foundation, in an email statement. "Instead, the actions announced today put consumers at risk by cutting them off from software updates, including necessary security updates. In addition, prohibiting intermediaries such as Internet service providers and content delivery networks from optimizing their networks to deliver TikTok content imposes an unnecessary and unfair burden on U.S. companies."

Some critics predicted that banning TikTok would simply lead Android users to acquire the app outside Google's Play Store, possibly via virtual private networks that may themselves pose security risks for the individual. (iPhone users are generally forbidden to load apps except through Apple's App Store.) Rumors of a ban helped propel downloads of a malware imposter app dubbed "TikTok Pro," IT security company Zscaler reported.

But more broadly, the deal appears to cement U.S. participation in a trend — heretofore usually seen in authoritarian countries — of insisting that data on users in a given country must be housed within that country. China, Russia, and Iran have tried to push such policies for years, and have been generally resisted by U.S. businesses, their advocacy groups, and — until the present administration — by the U.S. government itself.

By allowing Beijing to continue collecting user data either directly through the app or by purchasing it, the Trump deal becomes the latest example of individual governments exerting new controls over online information flows. That's sometimes called data Balkanization, the sort of thing U.S. companies, and the U.S. government (prior to the current administration) strongly resisted.

"A Balkanized Internet will give countries ever-greater top-down control of their citizen's communications, allowing them to even more aggressively monitor what they are doing and limiting their access to the broader global Internet. Countries like China already block many online applications and censor information that is critical of the state. There is no reason to think that nationalized data and networks will do anything other than accelerate how dictators usurp and diminish individual liberty," the U.S. Chamber of Commerce argued in 2015.

Julian Sanchez, a senior fellow at the libertarian Cato institute, responded to Hu's tweet, "Congrats White House. You've just set a precedent that repressive regimes eager to control the Internet will be quoting for years."

This is all probably why Hu Xijin, the editor-in-chief of the Chinese state-run newspaper *Global Times*, said in a Sunday tweet: "The US restructuring of TikTok's stake and actual control should be used as a model and promoted globally. Overseas operation of companies such as Google, Facebook shall all undergo such restructure and be under actual control of local companies for security concerns."

So if the deal doesn't address data security concerns but does help China make the case that U.S. tech companies should make user data more accessible to local authorities, what does the White House actually get out of it? A \$5 billion pool of money to push Trump's controversial "Patriotic education" project.

"They're going to be setting up a very large fund," Trump said on Sept. 19. ... "That's their contribution that I've been asking for."