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Ottawa reveals it ordered national security review of TikTok in September

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6–7 minutes

The federal government ordered a national-security review of popular video app TikTok in September, but did not disclose it publicly.

“This is still an ongoing case. We can’t comment further because of the confidentiality provisions of the Investment Canada Act,” a spokesperson for Industry Minister François-Philippe Champagne said.

“Our government has never hesitated to [take] action, when necessary, if a case under review is found to be injurious to Canada’s national security.”

The revelation follows passage of a bill in the U.S. House of Representatives on Wednesday to ban TikTok unless its China-based owner sells its stake in the business.

“We’re watching, of course, the debate going on in the United States,” Prime Minister Justin Trudeau said Thursday when asked whether Canada would pursue a similar move.

In response to the same question, Mr. Champagne’s office said that the Liberal cabinet “issued an order for the national-security

review of TikTok Canada” on Sept. 6.

It said the review was based on the expansion of a business, which it said constituted the establishment of a new Canadian entity. It declined to provide any further details about what expansion it was reviewing.

A government database shows a notification of new business from TikTok in June, 2023. It said Network Sense Ventures Ltd. in Toronto and Vancouver would engage in “marketing, advertising, and content/creator development activities in relation to the use of the TikTok app in Canada.”

The minister’s office said the cabinet order to launch the review was not accessible online, as is routine, because the information is protected and confidential under the Investment Canada Act.

Mr. Champagne’s office indicated TikTok would be subject to “enhanced scrutiny” under the act owing to a new policy on foreign investments in the interactive digital media sector released by the government earlier this month.

That policy statement says “hostile state-sponsored or influenced actors may seek to leverage foreign investments in the interactive digital media sector to propagate disinformation or manipulate information in a manner that is injurious to Canada’s national security.”

The federal government banned TikTok from its mobile devices in February, 2023, after federal and provincial privacy commissioners launched their own investigation into the platform.

“As you know, Canada made the determination that no government phones or devices can have the TikTok app. That’s a

matter of security and safety,” Mr. Trudeau said Thursday. “I can’t comment on national-security reviews.”

A TikTok spokesperson said the company continues “to co-operate with the government’s review of TikTok’s investment in Canada.”

The spokesperson said the company remains “committed to ensuring the safety and security of the platform for the millions of Canadian creators, artists and small businesses who rely on TikTok to earn a living, find community and create jobs.”

Josh Zelikovitz, a lawyer at Goodmans LLP specializing in competition and foreign investment, said when national-security reviews are launched, typically little information is made public.

He said the national-security rules in the Investment Canada Act are designed to let cabinet make orders about non-Canadians who invest in Canada in cases where those investments “could be injurious to Canada’s national security.”

Under the law, certain investors have to notify the government when they acquire control of a Canadian business or establish a Canadian business. The industry minister can then launch a review by sending a notice to the company, “saying that he has reasonable grounds to believe it could be injurious to national security,” Mr. Zelikovitz said.

Cabinet can take measures such as making investors sell parts of the business or sell shares, or allow them to continue operating as long as they agree to conditions.

The Canadian government publishes statistics about investments it has reviewed and the investors’ country of origin, and in recent years, a majority of those have been from China, Mr. Zelikovitz

said.

“The regulator clearly has a lot of interest in Chinese investments in Canada, particularly state-owned and state-influenced investments in Canada.”

The Canadian review is not related to the proposed U.S. bill, which is driven by concerns that the company’s current ownership structure is a national-security threat.

TikTok is a wholly owned subsidiary of Chinese technology firm ByteDance Ltd.

U.S. lawmakers contend ByteDance is beholden to the Chinese government, which could demand access to the data of TikTok’s U.S. consumers, given Chinese national-security laws that compel organizations to assist with intelligence gathering.

The bill must still pass the Senate, where lawmakers have indicated it will undergo a thorough review. U.S. President Joe Biden has said if Congress passes the measure, he will sign it.

Former treasury secretary Steven Mnuchin said Thursday that he would put together an investor group to buy TikTok after the passage of the House bill.

In addition to Mr. Mnuchin, some other investors, including *Shark Tank* star Kevin O’Leary, have voiced interest in buying the platform’s U.S. business. But experts have said it could be challenging for ByteDance to sell the platform to a buyer who could afford it in a few months.

Big tech companies are best positioned to make such a purchase, but they would likely face intense scrutiny from antitrust regulators, which Mr. Mnuchin emphasized.

“I don’t think this should be controlled by any of the big U.S. tech companies. I think there could be antitrust issues on that,” he said during an interview on CNBC’s *Squawk Box*. “This should be something that’s independent so we have a real competitor. And users love it, so it shouldn’t be shut down.”

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