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***HIGH WIRE: HOW CHINA REGULATES BIG TECH  
AND GOVERNS ITS ECONOMY***  
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Angela Huyue Zhang (2024) ***High Wire: How China Regulates Big Tech and Governs its Economy***, published by Oxford University Press, ISBN 978-0-19-768225-8

Professor Angela Zhang's new book, *High Wire: How China Regulates Big Tech and Governs its Economy*, provides a timely and comprehensive account of a significant topic: why and how the Chinese authorities cracked down on the country's home-grown technology giants and large online platforms between late 2020 and the spring of 2022 (the Tech Crackdown 2020-22). It also examines the changes and impacts, both evident and potential, that such a crackdown has caused to these entities and the general public, as well as the country's economic and technological developments and the effects on foreign investors and competitors alike. In addition to the Tech Crackdown 2020-22, Zhang's book also makes a valuable contribution to the existing literature, probing how the Chinese Communist Party (CCP or the Party) governs the country's digital economy and regulates its major players. Zhang is a competition lawyer by training, but *High Wire* caters to a much wider audience than just lawyers and legal scholars.

In the book's title, *High Wire*, is borrowed from an earlier observation by Professor Andrew Nathan, who noted that "the authoritarian regime must perform constantly like a team of acrobats on a high wire, staving off

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all crises while keeping its act flawlessly together”. In addition to likening Chinese leaders and officials to acrobats on a high wire, Zhang also refers to previous studies by scholars that described policymaking by the CCP ruling regime as “guerrilla-style” adaptive governance, which dates to the CCP’s revolutionary years before it came to power in 1949.

*High Wire* has a straightforward and uncomplicated structure, making it easy to follow. In addition to the introduction, the book is divided into four major parts. The introduction highlights Zhang’s own “dynamic pyramid model”, which facilitates the explanation and understanding of the Tech Crackdown 2020-22. Three aspects of the model have been emphasized: hierarchy, volatility and fragility.

Consisting of three chapters, Part I details the book’s analytical framework, namely the dynamic pyramid model. Chapter 1 elaborates on hierarchy, Chapter 2 on volatility, and Chapter 3 on fragility. Part II provides details of China’s platform regulation, comprising three chapters. Chapter 4 focuses on antitrust regulation, Chapter 5 on data regulation and Chapter 6 on labour regulation. All three chapters share a similar structure, and each has four sections. In section 1, Zhang writes about regulatory challenges and their causes. In section 2, she applies her dynamic pyramid model to explain challenges and causes. In section 3, Zhang projects the future trend. To ensure readers grasp what has been written, section 4 provides a summary of each chapter.

Part III, which comprises Chapters 7 and 8, details self-regulation by large online platforms. Part IV expounds on “the path forward” and is composed of three chapters. Chapter 9 explores a critical theme: is China exceptional? The chapter examines recent trends of regulating online platforms in the West, focusing on antitrust, data protection and labour protection aspects in the European Union (EU) and the United States (US), and whether these developments have influenced the regulation of tech giants and online platforms in China. Chapter 10 assesses the effects of the Tech Crackdown 2020-22. It highlights two significant consequences of the crackdown: the retreat of the private sector and the advancement of the administrative state. Some unintended but crucial consequences are also mentioned. The book concludes with a forward-looking Chapter 11, which addresses a highly significant and topical issue: regulating generative artificial intelligence (AI). In this chapter, Zhang once more applies her dynamic pyramid model to explain the special features of China’s generative AI regulation. She again poses a key question: is China exceptional in its generative AI regulation?

This is followed by Zhang's prediction of the country's future regulatory trends in the hard-tech sector.

Zhang meticulously writes not only about the crackdown but also about the rise of Chinese tech giants and large online platforms, which have been primarily driven by intense and often unruly competition set in a lax regulatory environment. Until late 2020, these enterprises thrived by providing consumers with a wide variety of services, including communications and messaging, video and game entertainment, online shopping, food delivery, ride-hailing, and even private banking services and personal loans. Many of these online services and businesses were eventually concentrated in Alibaba and Tencent. The two giants became a duopoly at loggerheads, with their online payment systems purposely excluding each other and often forcing customers to choose between the two.

As Zhang's book describes it, the Tech Crackdown 2020-22 was characterised by a sudden and intensive enforcement campaign relying on antitrust, data protection, labour protection, and national security laws, policies and measures, many of which were hastily introduced. Zhang examines the crackdown in detail, including many high-profile incidents. The crackdown sent shockwaves throughout China and beyond, with the share prices of tech giants plummeting. Explanations and arguments about the crackdown have been put forward by both critics and supporters of the campaign, but Zhang regards them as incomplete. She therefore introduces her dynamic pyramid model. Indeed, her analytical framework helps readers navigate the maze of information, events and twists concerning the crackdown and tech regulation. Zhang goes further, arguing that her model is also applicable to many other regulatory and governance issues, such as the crackdowns on the private tutoring industry and the property market, as well as the policy twists in the "one-child policy" and "zero-Covid policy". In so doing, she not only sets the scene for her exploration of the roots of problems in the Tech Crackdown 2020-22 and the country's tech regulation but also provides those readers who are less familiar with China with broader perspectives and a deeper understanding of how the CCP has been running the country.

Zhang argues that there is a remarkable resemblance between the Chinese style of regulation and a "pyramid on high wire" circus act, in which a team of acrobats form a human pyramid navigating a tightrope. The two share three strikingly similar features: hierarchy (referring to the structure of the regulatory institutions), volatility (referring to the erratic

nature of the regulatory process) and fragility (which characterizes the outcomes of regulation).

Zhang views the system of tech regulation as a pyramid with four major players forming a hierarchy. At the apex are the top Party leaders, whose legitimacy has been derived from several factors that can sometimes be conflicting, namely, economic growth, political stability and nationalism. At the outset, top leaders preferred to allow more freedoms for home-grown tech companies to nurture a tech industry that could have a competitive edge. However, Zhang adds, these top leaders often suffer from information time-lag when making decisions and issuing instructions. The second tier in the pyramid is the regulators, who are government officials from various ministries and departments. Problems with their coordination and cooperation prevent smooth and concerted regulatory efforts. Moreover, officials often prioritize their own bureaucratic or personal interests over the public interest, leading them to focus on short-term goals and narrowly defined objectives. Making things worse has been the rampant corruption among officials, which often caused inertia and inaction in regulation. In recent years, anti-corruption efforts initiated by the current top leader, Xi Jinping, have led officials to adopt a “lazy governance” approach. Additionally, local protectionism towards large online platforms also played a significant role in the enforcement inaction. As a pattern, regulators would only intervene when crises erupted or when they were hard-pressed by top leaders. As such, officials either do too little or too much. Regulation in China has never been a routine, day-to-day matter; instead, it occurs in waves of enforcement campaigns, which Zhang vividly describes as swinging like a dramatic pendulum. Indeed, people in China have long complained about the CCP policy twists causing numerous unnecessary “tosses and turns” (折腾 *zheteng*) in their everyday lives.

Tech companies constitute the third tier of the pyramid. Zhang outlines the key strategies employed by these companies for their survival and development. They grew and prospered by circumventing existing laws and regulations and by taking advantage of legal loopholes. They also devised various tricks to quickly establish their reputation and outdo their competitors, while seeking to appease officials to work in their favour, either through bribery, offering jobs to children or family members of officials, or hiring retired officials to lobby on their behalf. Platform participants, composed of consumers and small businesses, form the lowest tier of the pyramid. In Zhang’s opinion, this tier has the least influence on the regulatory process and enjoys weak protection, with

the Chinese judiciary appearing to favour large online platforms in its adjudications.

As such, tech companies in China enjoyed an initial period of lax regulation, driven by top-down initiatives from top Party leaders aimed at minimal intervention and buttressed by regulators' inertia. During this period, market malpractices and unfair competition have accumulated, and data breaches have been widespread. Online platform workers have suffered from a severe lack of labour protection, and frequent traffic accidents caused by food delivery workers who try to meet harsh deadlines have also put the lives of ordinary Chinese in danger. When criticism and crises reached a tipping point, the next phase of harsh crackdown ensued. During this second phase, when officials sought to appease top Party leaders and wished for quick solutions, they tended to overreach in their regulatory measures. Then, phase three of regulatory easing soon followed. The Tech Crackdown 2020-22 ended abruptly 18 months later.

In sum, the regulatory process in China has historically been volatile, and, in this crackdown, tech companies have borne the brunt of adverse outcomes. Moreover, little has changed in the duopoly scenario, and China's tech industry remains highly concentrated in ownership. In her conclusion, Zhang remarks that China's regulatory process has created a vicious cycle of regulatory interventions, with each intervention sowing the seed for the next. Thus, Zhang's dynamic pyramid model, highlighting three main features—hierarchy, volatility and fragility—sheds light on the causes of China's pendulum regulatory swings.

Nonetheless, Zhang is not entirely negative about the Tech Crackdown 2020-22. She notes that the crackdown has led to diversity in innovation endeavours. The Chinese authorities managed to redirect capital from "soft tech" towards more sophisticated "high tech", and Chinese tech giants have also been experiencing a push to pivot their commercial strategies towards high-tech. Zhang regards this as a significant shift amid the escalating Sino-US tech rivalry. Also, Zhang is quite diplomatic towards the crucial role played by Xi Jinping in masterminding the Tech Crackdown 2020-22 and other crackdowns in recent years. She stops short of criticizing Xi directly, but points to the fact that Xi has preferred centralized decision-making relying on a small group of top leaders and trusted advisors. In answering the key question, "Is China exceptional?", Zhang is brief and does not give any definite answer. She notes that the EU and other Western countries have been moving towards *ex ante* regulation of online platforms, that the Chinese authorities have been

closely watching this trend, and that China's regulatory approach provides a salient lesson for other countries aiming to control big tech.

In addition to devising and applying her dynamic pyramid model to the Tech Crackdown 2020-22, Zhang also collected and studied over 1000 Chinese court judgments involving tech giants or large online platforms—antitrust litigation brought by competing companies, unfair competition claims raised by consumers, and claims pursued by platforms against default loan repayments and so on. However, findings based on these court judgments only occupy minimal space in her book. If Zhang had devoted more space to analysing such findings, her contributions to the study of the topic would be significantly larger.

Interestingly, in her book, Zhang uses some terms loosely, such as the Chinese regulatory state, regulatory pendulum swing, regulatory campaigns, regulatory attack, regulatory crackdown, regulatory competition and regulatory headache. While their meanings can be taken at face value, adding the word “regulatory” does not necessarily mean that these terms are closely related to the Western sense of “regulation”. Indeed, the terms “regulation”, “self-regulation” and “co-regulation” mentioned in Zhang's book often carry meanings very different from those usually found in the West. They are, at best, regulation, self-regulation and co-regulation with “Chinese characteristics”.

I conclude with some recollections from my research conducted in China more than a decade ago, before the Cyberspace Administration of China came into being. At the time, workers in online service providers (OSPs) closely followed daily censorship instructions sent to their mobile phones by Party propaganda officials to avoid trouble or interruption of their operations. However, it was typical for OSPs to maintain a police room in their offices. The police presence was not regular, and police officers usually only came before festivals (to collect gifts or red packets from OSPs), during politically sensitive periods (such as anniversaries of the 4 June Crackdown and annual meetings of the national legislature and consultative body), or when they sensed trouble. The easiest and most extreme way for the police to gain immediate control of an OSP office was to unplug the broadband connection and terminate online content transmission. Yes, the police resorted to naked force. Such a practice could be traced to the “command-and-control” mentality of a totalitarian regime and had no connection whatsoever to the Western concept of regulation. Sadly, things have changed very little over the years, as reflected by Zhang's brief comment in the last but one sentence in *High Wire*—“the absence of a robust rule-of-law system”. Moreover, it

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has become mandatory in recent years for companies in China, whether domestic or foreign, to establish a CCP branch directly controlling companies' major operations and decisions, and this practice renders regulation in the Western sense largely redundant.

***About the author***

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