

The Development and Obstacles of Chinese Internet Enterprises Going Overseas--Taking TikTok's Suppression by the U.S. as an Example

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Abstract:

China's digital economy plays an important role in the national economy, while the domestic Internet market has entered a red ocean stage. Many Internet enterprises with global vision are eager to enter the global market, but they are hindered by a series of uncertainties. Taking TikTok, an application under ByteDance, as an example, this paper discusses its strategic layout in the U.S. market as well as the political risks it has fallen into, to provide a reference for Chinese Internet enterprises to develop overseas.

Keywords: companies going overseas, Internet, short video, digital economy

1. Introduction

Since joining the WTO in 2001, China's economy has developed rapidly. The China Academy of Information and Communications Technology's report on China's Digital Economy Development Research shows that by 2022, the scale of China's digital economy has reached 50.2 trillion yuan, an increase of 4.68 trillion yuan year-on-year. The digital economy accounts for more than 40% of GDP and continues to play the role of a "stabilizer" and "accelerator" in the national economy. However, as China enters a new stage of development, trends such as the weakening of the demographic dividend and the peaking of the Internet penetration rate are becoming increasingly significant. In the meantime, a number of enterprises with a global vision and strong international competitiveness are looking to the global market stage [1]. To allow more enterprises to have room for development, the state needs to support and encourage platform enterprises to "go overseas in groups" [2] and accelerate globalization, honing their skills in the diversified international market, and thus they will play a greater role in the construction of a new development pattern.

As a unicorn company in China, TikTok, an application of ByteDance, has achieved great success in the overseas market due to its unique technology, proper entry timing, and careful strategic layout. However, in today's turbulent situation, it is difficult for TikTok to avoid being entangled in the political turmoil in the United States. On one hand, the relationship between China and the United States has gradually shifted from an initial cooperative relationship to competition. In the early years, as a labor-intensive

country, China and the capital-intensive United States could form a good complementary relationship in terms of product production. However, with the rise of China in recent years, its products have gradually shifted towards highly sophisticated innovations, making it perceived as a "thorn in the side" by the United States. On the other hand, Jewish capital powers control the vast majority of the world's media and determine the direction of global public opinion through their influence. Therefore, social media companies in the United States have become an important tool for them to promote "platform imperialism" [3]. TikTok, as a social platform owned by a Chinese company, has made a significant impact in the United States, truly challenging the media control system of the United States that has existed for nearly a hundred years [4]. Therefore, the United States will undoubtedly employ various means to eliminate all the unfavorable factors that hinder its control of world hegemony. As a result, the challenges faced by TikTok overseas are not only from commercial competition but also political interference from other countries. This is a genuine issue that TikTok and other Chinese Internet companies need to seriously address. Based on this, this paper examines TikTok's globalization strategy from the perspectives of technology, capital, and corporate structure. It also delves into the difficulties TikTok encountered in the U.S. market and the strategies it adopted to address them, which provides some reference value for Chinese companies pursuing global expansion.

2. TikTok's journey overseas

TikTok's path of development in overseas is full of dif-

faculties, but there are also opportunities in it. The management’s right decisions at every critical moment have

pushed TikTok to complete its global layout. Its development history is shown in the figure.

timing	event
March 2012	ByteDance Inc. was founded in China
September 2016	TikTok launched on China’s app market
August 2017	Overseas version of TikTok launched on U.S. app market
November 2017	ByteDance acquires chart-busting app Musically
August 2018	TikTok merges with Musical.ly, user data integrated

TikTok’s overseas development history

Founded in 2012, ByteDance, as a natural globalization enterprise[5], its product TikTok began to plan for the layout of the global market in the early stage of its creation. In September 2016, the prototype of TikTok was launched in China’s app market. Relying on the unique environment of the domestic market, TikTok nurtured a lot of technological and mode innovations in its one year of operation, and its functions have been constantly upgraded and optimized. In addition to the excellent technology and functions, capital as a lever has also played a driving role in TikTok’s overseas expansion. After many rounds of financing, ByteDance possesses abundant funds, so in November 2017 it spent 1 billion dollars acquiring Musical.ly, a app which dominated the Appstore during that time, and merged the two apps after one year of operation each. At the same time, ByteDance also purchased a large number of copyrights acquisitions or merged companies to reduce competitors [6]. After integrating the users and resources accumulated by Musical.ly, TikTok ushered in explosive growth and quickly surged to the top of the U.S. download list. In contrast, Kuai, an overseas application under Kuaishou Technology Inc., has not achieved very good results overseas. Despite the immediate success of the layout by a cash-burning way, the wave quickly faded due to the lack of late promotion and operation.

In terms of company structure, compared to its prototype, TikTok has made a series of adjustments in order to speed up internationalization and really take root in the United States. ByteDance has recruited extensively in the United States to make the organization level fully internationalized. The first is the internationalization of the executive team, in June 2019, Blake Chandlee, head of global business cooperation at Facebook, jumped ship to ByteDance as vice president of global business solutions. In October of the same year, Ole Obermann, a former Warner Music Group executive, joined ByteDance as director of music. In January 2020, Erich Andersen, a former chief intellectual property consultant of Microsoft who had worked for Microsoft for more than 20 years, became the vice presi-

dent of ByteDance’s legal affairs. Subsequently, American cybersecurity expert Roland Cloutier joined “TikTok” in March as chief information security officer. Finally, in May, Kevin Mayer, a former senior administrator at Disney, became the Chief Operating Officer of ByteDance and the Global CEO of TikTok. ByteDance hopes these moguls contribute their valuable overseas management experience to TikTok[7]. In addition, TikTok has also recruited outstanding talents from various large factories to build a “professional team” at the executive level. Among them, the auditing team is responsible for auditing user videos and avoiding the risk of being politicized; the legal department keeps up with the changes in local policies, and appropriately adjusts and improves the privacy policy; and the PR team connects with the local governmental departments to build up contacts. In this way, TikTok made full use of local resources and truly localizes its operations, thus avoiding the risks brought by uncertainties and protecting the company’s legitimate rights and interests from infringement.

3 TikTok was tragically suppressed by the US government

When the global market of social media is basically stable, the short video field still has large growth space [8]. Compared with the traditional social media to occupy market share year by year, TikTok took a different approach and made amazing achievements in a short period of time, which made the old Internet companies feel precarious, plus the short video industry itself had special characteristics, bytes were bound to be jealous and prejudice. Beginning in 2019, the United States has imposed a series of sanctions against TikTok one after another. The development of the timeline of TikTok encountering risks is shown in the figure. These moves may be motivated by concerns about TikTok’s global influence and market share, or they may involve considerations at multiple levels, such as politics, economics and security. Either way, this is a serious challenge for Byte.

TikTok Encounters Political Risks

ruling government	timing	risk event
Trump administration	July 2018	Indonesia’s Ministry of Communications has banned TikTok for having a large amount of content which has a negative impact on teenagers.
	February 2019	FTC fined TikTok for illegally collecting information from minors under 13 years old
	October 2019	US government investigated ByteDance’s acquisition of Musical.ly
	August 2020	Trump signed an executive order: banning TikTok downloads and updates within the US
	August 2020	Trump signed another executive order based on advice provided by CFIUS: requires ByteDance to divest TikTok within 90 days
Biden Administration	February 2023	Biden administration called for regulation of TikTok, banning TikTok on federal devices
	May 2023	Montana signed bill to ban TikTok downloads statewide, ban later struck down by federal court
	March 2024	House Passed ‘Protecting Americans from the Threat of Applications Controlled by Foreign Adversaries’ Bill with Crushing Vote
	April 2024	House Passed Packaging Bill ‘HR815’, Biden Signs Bill

3.1 Trump’s Sanctions Against TikTok - Heading off this danger

In August 2020, Trump signed two executive orders on the grounds that “TikTok’s access to user privacy threatens national security”, requiring ByteDance to sell TikTok to a U.S. company and completely disconnect from China, or else it would be banned. In order to save TikTok, ByteDance relied on all parties to successfully resolve the crisis. First, Byte issued a statement denying that it had leaked users’ privacy, and then successively hired a number of lobbying firms to negotiate with the government, cooperating with the investigation and releasing its core code. After the government refused to communicate, ByteDance filed a lawsuit against the U.S. government, accusing Trump’s executive order of violating the Constitution and seeking help from the Chinese government[4]. At the same time, ByteDance also channeled the power of public opinion to fight back, because TikTok is socially responsible in the United States, providing jobs for the local, and hundreds of thousands of TikTok influencers rely on it for their livelihood. As soon as the news of the sanctions was released, many video creators united in support of TikTok, denounced the U.S. government, and even filed a lawsuit against the U.S. government. Ultimately, the farce ended with the Biden administration rescinding the Trump-era presidential ban.

On the one hand, ByteDance, as a foreign enterprise, is inevitably “uncomfortable” in the host country; on the

other hand, the U.S. has always emphasized the freedom of cross-border flow of data in legislation and propaganda, but in action, it has used “national security” as a restriction on important countries [9], and TikTok, as a platform with a large amount of U.S. user data, has become an excuse for politicians to promote “data nationalism” and manipulate public opinion. As early as March 2020, under pressure from U.S. politicians, TikTok promised to store all U.S. user data in the U.S. and invested a billion dollars building a data center in Singapore for backup. Following the sanctions, ByteDance entered into a partnership with U.S. company Oracle (Oracle Corporation), agreeing to transfer U.S. users’ information to Oracle’s storage system, with Byte unable to access the data. What’s more, the Chinese government enacted the Core Technology Export Management Law, which stipulates that Chinese technology companies may not sell their core technology to overseas companies without permission from Chinese regulators. On February 26, 2021, ByteDance announced that it would pay \$92 million to settle the data privacy claims of some U.S.-based TikTok users, which was a shot in the arm for the U.S. community. These actions not only helped alleviate the U.S. government’s concerns about TikTok’s data security, but also safeguarded Byte’s business interests.

3.2 Biden’s Sanctions on TikTok - A New Challenge

In March 2024, the U.S. government passed the “Protect-

ing Americans from the Threat of Applications Controlled by Foreign Adversaries” bill under the guise of “national security” again, requiring ByteDance to divest TikTok’s U.S. operations within a nine-month time limit, or else it would be subjected to a total ban, and Biden said that once the bill was submitted to the White House, he would sign it immediately. This bill caused a discontent in the U.S., with many video content creators protesting in front of the Capitol. It is worth noting that the bill was bundled with U.S. military aid to Israel, Ukraine and other matters (HR815), the politics is particularly strong.

Once again, TikTok is facing a crisis, but it is still fighting back with multiple forces. First, TikTok sent a pop-up announcement to its 170 million users, encouraging them to call to legislators to convey the importance of TikTok to them and persuade them to vote no; at the same time, TikTok promised to challenge the law, and the company’s chief executive, Mr. Zhou Shouzhi, released a video saying, “We’re confident that we’ll continue to fight for Americans’ rights in court.” As more and more people call Congress to complain, and public opinion continues to fester, the future of TikTok remains a mystery, but this time ByteDance has a much stronger case against the U.S. government.

It can be seen that the U.S. government is determined to block TikTok, the fundamental purpose is to maintain its political hegemony. TikTok’s business strategy of “globalized products, localized content” has given it a global presence, but this has prevented the “world police”--the United States, from regulating areas outside the United States. With the development of the Internet, the free flow of data allows people to break through the information constraints, the public can understand the world from a more objective point of view, so the traditional media painstakingly create the image of “American justice” is crushed mercilessly by TikTok, and this is also the reason why the U.S. government has been fighting with a short video app for four years, despite its constitutional will.

TikTok has more than 1.5 billion users worldwide and more than 500 million daily active users globally, and in the U.S., TikTok has been integrated into every aspect of the people’s food, clothing, housing, and transportation, and brings in tens of billions of dollars in revenue every year. The purpose of this U.S. sanction is to snatch TikTok’s algorithm from the byte - which they believe is a tool for brainwashing the American public. Wang Wenbin, the diplomatist of China, said that in recent years, although the U.S. side has never found evidence that TikTok threatens U.S. national security, it has never stopped suppressing TikTok.

4. Conclusion

TikTok, as a leader in the global short video industry, has enriched people’s spiritual lives with its “UCG + Algorithmic People Finder” service model and has significantly contributed to the world’s economic development. ByteDance, as a successful Internet enterprise, provides an important revelation for Chinese companies aiming to expand overseas.

In the global context of multipolarity, the confrontation between countries has intensified, increasing the likelihood of political repression for businesses deeply rooted in other nations. The U.S. sanctions against TikTok are essentially a means of restraining China’s technological development, especially in the context of the Russia-Ukraine war and the wars in the Middle East. Therefore, companies must truly “follow the customs,” deeply understanding local customs and policy changes, and operating in a legal and compliant manner. At the same time, companies should maintain a high level of vigilance in all aspects, understanding their brand positioning [10]. In addition to focusing on commercial competition, they should also work effectively to prevent political turmoil. Once a crisis occurs, the company should make full use of local resources and wield the weapon of law to safeguard their legitimate rights and interests.

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