

Issue Summary & Overview Analysis

TikTok is currently facing pressure in the USA due to controversies surrounding its data privacy and possible threat to American national security. Additionally, other countries aside from the US have already flagged TikTok for security/privacy concerns and some have even banned the app (e.g., India, Australia, South Korea). As CEO of ByteDance (TikTok's parent company), Zhang Yiming must clear up the company's position on TikTok's future in the United States and the rest of the global market. Considering the tenuous situation and confusion over TikTok's future, Zhang Yiming must brief ByteDance's board of directors and possibly release a public official statement in order to try to stabilize the company's floundering performance. TikTok has already lost \$10 million in revenue in the month of August due to uncertainties regarding its future, so it is essential that these issues be addressed.

President Donald Trump issued an ultimatum for TikTok to be sold to an American tech company or face a nation-wide ban. TikTok appealed the ban in court and was successful in obtaining an injunction from District of Columbia Judge Carl Nichols, blocking the original ban deadline in September. But, the judge refused to overturn the later ban date in November, which will occur after the upcoming US Presidential election. However, the American government's approach to the TikTok controversy is unlikely to change regardless of the election results, since Trump's main opponent — Joe Biden — has also stated that he has serious concern over TikTok.

The Chinese government has also made clear its position, joining ByteDance in their rejection of the threatened ban. However, China also announced that its technology licensing export laws that would require ByteDance to gain approval from the Chinese government in order to sell the highly advanced TikTok AI algorithm outside China. China's motivations behind this move are arguably twofold: first, they wish to protect China's dominance in this form of AI technology; second, from a geopolitical standpoint they do not want to be seen as bowing to US power. This complicates the already tenuous TikTok-Oracle deal currently under negotiation.

Additional Background Information & Further Considerations

Firstly, it is important to remember that the current controversy over TikTok in the United States seems to be only one piece of current US-China geopolitical tensions that have been epitomized by the ongoing trade war and the earlier controversial ban of another Chinese tech company — Huawei — whose CEO is still being detained in Canada at the request of the United States. Anti-Asian and Anti-Chinese sentiment has been on the rise in the USA due to these tensions and the current TikTok controversy is only part of a bigger clash between the two nations. Therefore, ByteDance must tread carefully in how they proceed with TikTok's future in America. It is clear that the American government will not budge on their data privacy/national security concerns or their geopolitical motivations.

A second key consideration is public relations. Firstly, ByteDance does not have the best public reputation in America in terms of data privacy, censorship, and its ties with the Chinese Government. The CEO of ByteDance has previously made apologies to both the US public (for blocking videos about the Uighur concentration camps in China). Conversely, ByteDance has also made public apologies in China for its "Inside Jokes" app, which ultimately resulted in taking down the app and promising that the company would "deepen cooperation" with the Communist Party). Notably, there has also been some backlash among the Chinese public, who view ByteDance's ongoing negotiations with Oracle as bowing to American pressure. Ultimately, ByteDance must balance a fine line to improve its reputation in both countries.

Finally, the business aspect of each of ByteDance's options regarding TikTok's future must be considered. The bottom line is that if TikTok is banned from the US, they will lose their entire global market almost entirely and may be forced to withdraw business operations to China for the time being. TikTok has stated in a court document that a US ban of the app would "shatter TikTok's business around the world." The USA is currently TikTok's largest overseas consumer market. Additionally, American-made videos make up 60% of content viewed by the rest of TikTok's global market outside America. Therefore, the loss of the US market, aside from being deadly in and of itself, has long-ranging repercussions for the rest of TikTok's global market and the financial future of ByteDance.

Final Analysis & Conclusion

Overall, TikTok and ByteDance have four options to consider:

1. An acquisition deal with a US company which includes sale of its specialized AI algorithm which China seems to want to protect. However, the Chinese government is against this deal and will potentially block it. ByteDance will inevitably face political and financial repercussions in China.
2. The creation of TikTok Global (currently under negotiations with Oracle), where ownership of shares would be mainly split between ByteDance and Oracle. This deal would simultaneously allow ByteDance to continue collecting revenue from global markets, and appease American concerns over data privacy since consumer data would be hosted on US servers. However, this option must first pass Chinese technology exportation regulations and it is still unclear whether it will.
3. Sell TikTok in its entirety to an American tech firm but without the algorithm. This may result in a lower sale value but is still better than the loss from a complete US ban. This will shield ByteDance from political backlash in China and to a certain extent, America.
4. Accept the ban and withdraw from the US market. While this carries the heaviest business penalties, this remains the safest option politically for ByteDance's continued success in China.

Ultimately, in both briefing ByteDance's board of directors and in releasing a public statement, CEO Zhang Yiming must tread a careful line between jeopardizing current negotiations with Oracle and antagonizing the Chinese and American governments. It is recommended that the focus be on the *ongoing* nature of TikTok-Oracle negotiations and second option above, which attempts to strike a balance among the conflicting concerns of the various stakeholders (China, the USA, and ByteDance) in this controversy. The guiding aim of the briefing/statement should be to help tone down speculation about TikTok's future in the USA and globally, and thereby stabilize the company's erratic market performance. Finally, it must be noted that these analyses are made without a full financial assessment of TikTok and focuses more on the geopolitical aspects of the issue. Therefore, any final decision made on TikTok's future should also come with a deeper assessment of ByteDance/TikTok's financial position.

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