

Survival Strategies for Overseas Investments: Political Risk Analysis and Countermeasures of TikTok

Xihan Sun

China Foreign Affairs University, Beijing, China

Abstract: Nowadays, the deepening of globalization has been accompanied by an intensifying technological rivalry and strategic competition between the U.S. and China. Against this backdrop, TikTok has emerged as a prime target of U.S. defensive policies toward China. This conflict reflects both commercial challenges for tech firms and geopolitical competition in the digital economy. Based on TikTok's challenges, this study systematically analyzes its core political risks, including heightened regulatory pressures through U.S. legal frameworks and national security reviews, policy instability arising from Sino-U.S. strategic competition, and amplified impacts of media narratives. Furthermore, the research evaluates TikTok's countermeasures, such as data localization and transparency initiatives, the data oversight solution with Oracle, and multi-tiered stakeholder engagement, and assesses their efficacy and limitations. Looking ahead, the study explores potential pathways for TikTok, while extracting critical implications for enterprises navigating political risks in overseas investments.

Keywords: Overseas Investment; Political Risk; U.S.-China Competition; Tiktok

1. Introduction

As economic globalization advances, overseas investment has become a vital strategy for multinational corporations to expand markets, acquire resources, and enhance competitiveness. However, amid growing geopolitical complexities and policy uncertainties, the risks associated with foreign investments have become increasingly pronounced—particularly for data-driven multinationals facing unprecedented challenges.

Chinese tech firms are accelerating their global

expansion, with TikTok, a subsidiary of ByteDance, standing out as a breakout success in markets like the U.S. Yet, its rapid growth has been accompanied by heightened political and legal risks.

Since 2020, TikTok has faced escalating U.S. policy interventions, including executive orders demanding the divestment of its American operations, all justified under "national security" concerns. These measures have placed immense political pressure on the company—a situation that reached a critical point when the U.S. government enacted an outright ban, suspending TikTok's operations. Nevertheless, these developments present a valuable opportunity to examine how TikTok and similar multinationals navigate political risks in global investments.

2. The TikTok Ban: A Retrospective Analysis

As of 2024, TikTok boasts over 150 million monthly active users in the U.S.—nearly half the country's population—making it the preferred social media platform for younger generations and a dominant force in the digital advertising market. Its success has attracted advertisers and content creators alike, cementing its position as a key player in the U.S. tech landscape. Yet, behind this achievement lies a constant struggle with geopolitical tensions and regulatory scrutiny amid U.S.-China rivalry.

In early 2025, the U.S. government escalated its crackdown on TikTok, citing concerns that "user data could be shared with the Chinese government, threatening national security." Multiple state and federal agencies imposed usage bans, despite TikTok's repeated assurances of data independence from China and its implementation of data localization measures. On January 17, 2025, the U.S. Supreme Court upheld a law mandating that ByteDance divest TikTok's U.S. operations or face a ban—effectively requiring the app to sever ties with Chinese ownership or be barred

from distribution, maintenance, or updates in the U.S. TikTok suspended its services the following evening. The move has been widely perceived as geopolitical maneuvering disguised as a national security measure, leaving TikTok's overseas investments collateral damage in a broader power struggle. Over five years spanning three U.S. administrations, TikTok's sanction saga unfolded: Trump's 2020 divestment order triggered legal battles; Biden revoked it in 2021 but intensified security reviews; 2022 saw government device bans; Congress mandated divestment via H.R.7521 in April 2024, culminating in TikTok's nationwide shutdown on January 19, 2025. Trump's 75-day reprieve announced on his January 20 inauguration reintroduced uncertainty. Political transitions have forced TikTok into perpetual strategic recalibration, epitomizing how geopolitical volatility dictates corporate survival.

3. Analysis of TikTok's Political Risks and Countermeasures

3.1 Theoretical Basis of Political Risks in Overseas Investment

I believe political risks in overseas investment can be divided into two major types: macro and micro risks. Macro risks refer to the impact of national-level political changes on multinational corporations, which typically stem from macro factors such as national policies, government decisions, and international relations. Examples include government policy changes, military conflicts, economic sanctions, and a country's attitude toward foreign investment. Micro risks, on the other hand, are caused by political factors specific to certain industries or internal to enterprises, often involving government regulations on particular sectors, changes in tax policies, or special provisions by local governments. Compared with macro risks, micro risks have a smaller scope of impact, but they are often directly related to the daily operations and market access of enterprises. Moreover, technology- and data-driven multinational enterprises face unique political risks. First, data privacy and security issues have become—whether actively or passively—an important component of global political risks, especially when it comes to the

transmission and storage of sensitive data. Many countries, particularly the U.S. and EU, have implemented strict regulations on cross-border data flows to strengthen national control over data. For data-driven enterprises like TikTok, this poses significant political risks. Setting aside certain special “schemes” by the U.S. side, this incident does reveal the tension between data privacy and government regulation, with TikTok's approach to remote data storage and processing becoming a focal point of political conflict.

3.2 Major Political Risks Faced by TikTok in the U.S.

The TikTok ban incident is a typical case of such special enterprises facing political risks in overseas investment, specifically including risks from government sanctions, political instability and policy incoherence, and host government intervention.

Considering the reality comprehensively, the main political risks TikTok faces in the U.S. present a multidimensional and intersecting complex situation. First, host country security reviews and legal regulations constitute the most direct and severe challenge for TikTok. The Committee on Foreign Investment in the United States (CFIUS) has conducted intense scrutiny of TikTok on the grounds of protecting national security, with the core accusation being that it may transmit U.S. user data to China [1]. Although TikTok has actively proposed remedial measures such as data localization and transparency to mitigate risks, these efforts still struggle to fully meet the U.S. government's highly sensitive demands regarding so-called data privacy and cross-border information flows. Especially with the enactment and tightening of laws such as the Foreign Investment Risk Review Modernization Act (FIRRMA), TikTok's compliance pressure continues to intensify.

Second, policy uncertainty and geopolitical games have significantly amplified the risks faced by enterprises. The introduction of the TikTok ban came at a critical juncture of intensified strategic competition between China and the U.S. in trade, technology, and other areas. The U.S. government's policies toward TikTok may not only frequently adjust due to domestic political cycles but are also influenced by changes in the international investment landscape. This highly volatile

policy environment makes it difficult for TikTok to formulate clear short-term business plans and threatens its long-term stable operations in the U.S. market [2].

Finally, the potential impact of media narratives and public sentiment cannot be ignored. As a tech internet company with Chinese roots, TikTok has consistently been portrayed as a "threatening" presence in U.S. media. The amplification effect of such negative narratives has further fueled public concerns about its data security, providing the U.S. government with a pretext and support for stricter restrictions, constituting a major external risk factor for the company. Although overall U.S. support for the ban has noticeably declined since March 2023, as of August 2024, only 28% of the public expressed opposition [3].

3.3 TikTok's Risk Countermeasures

To address severe political risks and stabilize its position in the U.S. market, TikTok has adopted multidimensional countermeasures, including proactive communication, technical adjustments, legal challenges, and policy adaptation, seeking balance in a complex political environment.

TikTok proactively engaged with the U.S. government to seek consensus and solutions: In March 2023, the TikTok CEO testified at a hearing held by the U.S. House Committee on Energy and Commerce, detailing the company's measures for privacy protection and data security in response to external doubts about data privacy and its relationship with the Chinese government. This move not only alleviated some pressure from public opinion but also demonstrated TikTok's willingness to cooperate in resolving issues.

TikTok made significant adjustments in data security and transparency to address the U.S. government's high level of concern about data privacy. The company committed to storing U.S. user data locally and undergoing comprehensive third-party audits to ensure data integrity and security. For example, TikTok proposed collaborating with U.S. tech company Oracle to migrate U.S. user data to the latter's servers, reducing concerns about data leakage.

Additionally, TikTok actively used legal means to protect its rights. After the Trump administration issued an executive order in 2020 demanding the sale of its U.S. operations

or facing a ban, TikTok filed a lawsuit, arguing that the order violated due process. Although its legal efforts did not completely eliminate risks, they did buy the company some strategic room to maneuver.

TikTok also closely monitored changes in the U.S. political environment and adjusted its strategies accordingly. For instance, during the Trump administration, TikTok strengthened internal compliance to cope with intense scrutiny, while under the Biden administration, it seized opportunities presented by more moderate policies to optimize its operational environment. These are crucial for multinational enterprises in their investments [4].

4. Future Prospects

4.1 TikTok's Future Development

4.1.1 Potential Pathways for Global Expansion

First, TikTok could further deepen its presence in emerging markets, such as Southeast Asia, the Middle East, and Africa. Data indicates that internet penetration rates in Southeast Asia and the Middle East hover around 70%, comparable to China, while Africa's rate remains relatively low but holds immense growth potential. Notably, the Middle East has witnessed the world's highest IP traffic growth (41%) between 2017 and 2022 [5]. These figures suggest significant market expansion opportunities for TikTok in these regions, where markets are in rapid growth phases, internet adoption is rising annually, demand for short-video content is robust, and political pressures are relatively muted. Additionally, TikTok could enhance local acceptance through localization strategies, such as collaborating with regional creators, businesses, and governments.

Furthermore, TikTok must optimize its global technological and data storage infrastructure. By expanding its "data localization" initiatives—for instance, establishing data centers in Europe and the Middle East—it can maintain operational control while addressing host governments' data security concerns, thereby building stronger trust mechanisms. This model should also be extended to other politically sensitive regions to mitigate conflicts during global expansion.

Lastly, TikTok should actively diversify its business models to reduce reliance on single

markets and bolster risk resilience. By expanding into advertising, live streaming, e-commerce, and other revenue streams, TikTok and its parent company ByteDance can identify new growth opportunities across markets, dispersing investment risks and ensuring stable global development.

4.1.2 The U.S. Market Remains Attractive

Despite the backdrops, the U.S. market is still valuable for TikTok's overseas expansion. The market is one of TikTok's largest single markets, contributing the majority of its global ad revenue. According to market research firm eMarketer, TikTok's global ad revenue in 2024 is projected to exceed \$12 billion, with over 30% originating from the U.S. market. Moreover, U.S. users exhibit high purchasing power and brand influence, which are critical for TikTok's monetization.

However, the U.S. market's high returns come with elevated risks, necessitating a balance between economic gains and compliance costs. On the one hand, TikTok could sustain its market share through technical solutions and legal measures. On the other hand, it must prepare contingency plans for partial exit or business downsizing.

In essence, the U.S. market's value dilemma extends beyond TikTok. Achieving operational equilibrium in such rewarding but risky markets while minimizing political and investment risks remains a strategic challenge for multinational enterprises.

4.2 Implications for Other Enterprises

In an era of heightened geopolitical sensitivities, where nations instrumentalize competition, multinational enterprises must systematically identify, assess, and address political risks through strategic, technical, and collaborative initiatives.

Enterprises should establish systematic risk

assessment frameworks, evaluating host countries' policy stability, regulatory transparency, and public sentiment to quantify political risks' impact on investment decisions. This requires leveraging expert advisors and external risk assessment agencies to enhance risk identification capabilities. Concurrently, multi-layered mitigation mechanisms must be preemptively designed. ByteDance's strategic cooperation with Oracle for data localization offers a template for addressing data security concerns.

Thus, enterprises must maintain proactive communication with host governments, fostering transparent dialogue channels to build cooperative relationships and prevent conflicts arising from information asymmetry. By integrating political risk management into core strategies, multinationals can navigate volatile global landscapes while safeguarding long-term interests.

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