

As deadline looms, scramble on TikTok deal structure

September 18 2020, by Rob Lever



A deal allowing TikTok to avoid a US ban remained in limbo amid negotiations over the ownership structure of the popular video app

Amid a looming deadline set by President Donald Trump, negotiators scrambled to find a new ownership structure for the popular video app TikTok that would pass muster in both the United States and China.

A deal appeared to be taking shape this week that would allow Silicon Valley-based Oracle to be the US technology partner for TikTok to allay Washington's concerns that the platform could be used for Chinese espionage.

But details of the deal remained unclear. Some reports said Oracle would be a minority stakeholder in TikTok, with the Chinese parent firm ByteDance keeping a majority.

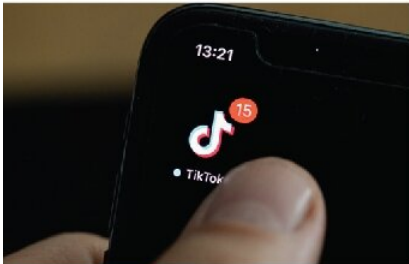
A US government national [security](#) panel was reviewing the Oracle bid while Republican lawmakers warned against accepting a deal that keeps the Chinese firm in control.

"We'll make a decision soon," Trump said Thursday, a day after saying he was undecided and still considering the national security implications of any new structure for the wildly popular app, which has an estimated 100 million users in the United States and as many as one billion worldwide.

Some analysts said it appeared difficult to craft a deal that allays concerns in both countries on security and the algorithms and other key technologies used by TikTok.

"It seems like a zero-sum game where either China or the United States gets the intellectual property and security benefits, and there's no way for both parties to share that," said Betsy Cooper, director of the Aspen Institute's Tech Policy Hub and a former Homeland Security official.

TikTok Social networking app



Chinese ownership

Released worldwide by Chinese company ByteDance in Aug 2018

Maintains a separate app for the Chinese market, known as Douyin, started Sep 2016

Available in 39 languages

- Estimated **800 million** monthly active users
- **57%** of TikTok/Douyin users live in China
- **36%** of TikTok users live elsewhere in Asia
- **India was top market** for TikTok downloads outside of China in 2019 with 323 mln
- Estimated **2.2 billion** downloads worldwide
- **App downloaded some 175 million times in the US**
- More than **\$90.7 million** user spending in June 2020

Wanted in the US



US President Donald Trump on Aug 6 gives ByteDance 6 weeks to sell its US operations to an American company

A new executive order will take effect in September barring anyone under US jurisdiction from doing business with the owners

The app has been under formal investigation on US national security grounds for being legally bound in China to share the personal data it collects with authorities if they demand it

TikTok files lawsuit on Aug 24, challenging the US government's crackdown on the platform

As of Sep 13, Oracle remains the sole bidder for the app: US media



Source: [businessofapps.com/Hootsuite/We Are Social/SensorTower](https://businessofapps.com/Hootsuite/We-Are-Social/SensorTower)

Factfile on Chinese video-sharing social networking app TikTok, and US moves against the owner of the company.

Cooper said the reported deal with Oracle hosting data as a minority shareholder "doesn't sound like it resolves the security concerns" raised by Trump and other US officials.

James Lewis, who heads technology policy at the Center for Strategic and International Studies, said Oracle could still win approval for its deal, but may need to make changes.

"If they can show a good package of security measures it will help," Lewis said. "It's an easier sell for Oracle if ByteDance becomes a minority owner."

Six Republican senators said in a letter to Trump this week that "any deal between an American company and ByteDance must ensure that TikTok's US operations, data, and algorithms are entirely outside the control of ByteDance or any Chinese-state directed actors, including any entity that can be compelled by Chinese law to turn over or access US consumer data."

Trump has threatened to ban TikTok in the United States if no deal is reached by September 20, in the latest battle between the two countries over technology.

Possible Beijing veto

Richard Windsor, an independent technology analyst who writes the Radio Free Mobile blog, said that any TikTok deal that addresses the US security issues runs the risk of facing a veto by Beijing.



Silicon Valley tech giant Oracle is working on a deal to become the US partner to Chinese-owned video app TikTok to avert a ban in the United States

"The fact that Oracle will have access to TikTok's algorithms and source code greatly increases the chances of the deal being approved by the US administration, but it also greatly increases the chances of it being blocked by China," Windsor said.

While parties struggle to reach a [deal](#), Chinese President Xi Jinping said Thursday on a tour of a factory that "innovation is the most important quality of business management, and it is also what we must overcome obstacles to do in the future."

"Key core technology must be firmly kept in our own hands," he added,

according to China's official Xinhua news agency.

But Windsor also noted that "ByteDance needs this situation to be resolved quickly" since "there are no shortages of innovative apps waiting in the wings to fill any gaps left by TikTok should ByteDance fail to prevent a ban."

The TikTok saga has seen several twists, with Microsoft seen initially as the suitor before its bid was rejected.

Walmart, which was working with Microsoft, said in a statement Sunday it "continues to have an interest in a TikTok investment and continues discussions with ByteDance leadership and other interested parties."

Chinese authorities have said they would not allow ByteDance to sell the algorithms used by TikTok, which are believed to hold much of the value for the popular social platform.

Trump has demanded a significant portion of the sale go to the US Treasury, but said Wednesday he had been advised that was not possible.

© 2020 AFP

Citation: As deadline looms, scramble on TikTok deal structure (2020, September 18) retrieved 2 May 2024 from <https://techxplore.com/news/2020-09-deadline-looms-scramble-tiktok.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--