

Unraveling the TikTok Paradox: Western Concerns, Economic Implications, and Prospects

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Abstract. This paper discusses various aspects of TikTok's influence and the potential consequences of a TikTok ban. It highlights Western concerns, including data privacy and security concerns, influence on political discourse, and content moderation and child safety. It also explores the economic implications of TikTok, such as revenue generation and monetization opportunities, advertising industry transformations, market competition, and geopolitical tensions. Additionally, it examines the possible consequences of a TikTok ban, including its impact on businesses, creators, and employment. The paper concludes by discussing potential solutions to the TikTok ban and speculating on the short-term and long-term prospects of TikTok.

Keywords: Economics; Internet; TikTok; Market competition; US-China.

1. Introduction

Social media is an increasingly important part of society. There are many different social media platforms but one that has captured the attention of many is TikTok. TikTok, released in 2016, is a social networking app that allows users to upload and generate their own content. What distinguished TikTok, owned by Chinese company ByteDance, was its short-form videos. TikTok has caused controversy in the West due to concerns about the relationship between ByteDance and the Chinese government, especially with respect to user privacy.

Although TikTok is primarily an entertainment and information-providing app it is regularly used by businesses. This was especially noticeable during Covid-19 as noted by Sataraman [1] who highlighted how businesses use TikTok to connect to consumers. Businesses can use TikTok to increase exposure and brand awareness [1]. In addition to small businesses, TikTok is used by schools, governments, museums, and hospitals to reach their audience [2].

The importance of social media is also shown by financial figures. In respect to TikTok today, there are approximately 250,000 businesses relying on TikTok [3]. In the USA there were over 35 billion (US\$) of sales via TikTok in 2021 whereas in China over 350 billion (US\$) sales occurred [4].

Partly as a result of this TikTok has a large influence on society and culture. This is because TikTok is a high-acceptance platform where free speech and liberal beliefs are celebrated and encouraged. TikTok videos encompass a wide coverage of diverse and complex topics from dancing and pet videos to political statements and personal beliefs.

TikTok has hundreds of millions of young users [5] and Literat and Kligler-Vilenchik [6] indicate this illustrates its popularity with users across diverse backgrounds as a place to share a range of ideas. TikTok has helped younger generation's access political information and shaped their ideological political perspective. For example, in 2020, TikTok served as the megaphone for the "Black Lives Matter" movement, offering tips on how to protest in a safe manner and stand up against racism [7].

TikTok has grown quickly since its launch in 2016, with currently an estimated 834 million users [8]. The vast majority of users are aged 18 to 24 (the maximum proportion is users between 10 to 19) and 57% of the users are female [8]. TikTok greatly appeals to Generation Z due in part to a community encouraging original content ranging from cooking, life hacks, lip-syncing, and education categories.

TikTok is profiled as a "game-changer" for its marginalized users. It is a platform where users can instantly achieve viral popularity, and explore employment routes [9]. TikTok penetrates different nations, for example, almost 90% of the 18-year-olds in Saudi Arabia use TikTok. In addition, Indian

news sources asserted TikTok's algorithmic technique of recommendation often assigns 200–300 active viewers for videos posted by new users. This assists newcomers to compete with well-known creators with more followers. This feature appeals to young (and old) users seeking fame [9].

TikTok also influences younger users especially teenagers under 18. It entertains young teens and offers exposure to the broader world and knowledge. Nevertheless, it is argued TikTok makes children more vulnerable to sexual predators, privacy concerns, and unhealthy content. Governments and child-safety advocates claim TikTok's algorithms push video content to users which may encourage eating disorders, self-harm, and even suicide among users [10].

Furthermore, TikTok's Chinese background has incurred controversies and distrust in the realm of politics. By aiming to downplay or even completely hide its ties to the Chinese government and China as its nation of origin, TikTok has taken a unique approach to de-sinicization [9]. Despite TikTok's attempts to downplay its Chinese background, there are still prevailing Western doubts about the misuse of data for political purposes.

This essay examines the most concerning aspects of TikTok's influence and the potential TikTok ban, mainly: Western concerns (data privacy and security concerns, influence on political discourse, and content moderation and child safety), economic implications (revenue generation and monetization opportunities, advertising industry transformations, market competition and geopolitical tensions, and possible consequences of a TikTok ban), and the future prospects of TikTok (potential solutions and short-term and long-term prospects).

2. Western Concerns

TikTok's global success has raised increasing attention and concern from Western governments and media. This is particularly due to TikTok's relation to the Chinese government. This section examines three specific concerns and what prompts them.

2.1. Data Privacy and Security Concerns

One major Western allegation against TikTok revolves around its data privacy and security. Subject to China's various cybersecurity and data security laws, parent company ByteDance is mandated to give the Chinese government access to data. Though TikTok CEO Shou Zi Chew states U.S. user data does not abide by such laws, critics continue to voice concern [11]. Western governments are worried the Chinese government may use TikTok's user data. The White House is particularly concerned that TikTok is accumulating user data that the Chinese government may use to spy on Americans and undermine the American government [2].

Plus, the FBI and Federal Communications Commission authorities have both expressed distrust that ByteDance can provide China's repressive government access to user data from TikTok, including browser history, location, and biometric identifiers [12]. To date there has been no valid evidence of TikTok's misuse of user data. Yet, political distrust has heightened as ByteDance admits certain China-based employees possess access to US user data, though the purpose for this access remains unclear.

2.2. Influence on Political Discourse

Western governments are concerned about TikTok influencing political discourse by manipulating content. TikTok's algorithm promotes various content to its users. A concrete example of this is influencing US elections, policymaking, and other democratic debates [13]. This echoes similar documented cases of other social media platforms such as Facebook, which was used by the separate company Cambridge Analytica to influence elections [14]. Chris Wray, an FBI director, claims the TikTok app might be used by China's Communist Party to exert influence through TikTok's potent recommendation algorithm, user data collection, or program control for espionage [15]. According to Horning (2023), the worry is that the app might be used to influence efforts to change views and ideas [16]. This is because TikTok can utilize its data to target specific psychological profiles of users who

are receptive to particular messaging. This kind of control and use can impact individual mental health, opinions on social issues, or perceptions of both domestic and international policy. All of which can result in a change in political views and how users may vote in an election.

2.3. Content Moderation and Child Safety

TikTok, like many other social media, has also been accused by Western governments of posing threats to its young users. Children are exposed to sexual predators, inappropriate and misleading content, cyberbullying, and privacy leakage. Social media posts frequently contain provocative material, but often the content is far more mature than their 16+ rating would imply and is sexual in nature [17]. In 2022, Indiana's state attorney general complained that the app contains age-inappropriate content that minors may readily access, such as drug and alcohol usage or sexual content, even though it is rated 12 years and older in Apple and Google's app stores [18]. Distrust of data privacy and censorship also exists. The BEUC (The European Consumer Organisation) stated TikTok fails to adequately disclose to its users (including minors) the types of personal data it collects, why it does so, and under what legal authority. The copyright terms are deemed unfair as the app holds an unrestricted right to use and spread users' published videos without payment [19]. Additional concerns revolve around cyberbullying. It is predicted 64%--two-thirds of young users using TikTok—will encounter bullying [20]. Leach also shows those who experience cyberbullying are twice as likely to suffer from headaches, stomachaches, and other illnesses as a result of this bullying. This research shows a frightening indication of how TikTok can negatively impact multiple facets of a user's life.

3. Economic Implications

TikTok's global prevalence has inevitably impacted both the American and the international economy. TikTok functions as fuel for the economy by creating opportunities for various stakeholders. This section inspects four economic implications of TikTok's.

3.1. Revenue Generation and Monetization Opportunities

TikTok renders new avenues of revenue generation and monetization for various stakeholders. In the last few years, TikTok has quickly boosted its money generation. It produced \$9.4 billion in yearly sales in 2022, while there were only \$4.6 billion sales in 2021 [21]. While TikTok helps both established and startup companies reach new customers, it also generates new jobs thus lowering the unemployment rate [22]. Cui claims that TikTok is constantly recruiting substantial skills (e.g. research & development, marketing, sales, and product design) to leverage the platform's reach in its subsequent phases, which offers possible career choices and revenue streams. For TikTok influencers, the short video market presents multiple revenue streams, and live streaming is one of them. During live streams, creators can respond to questions from viewers in real time and accept virtual gifts. Those virtual gifts possess real monetary value. Live streaming provides influencers with a consistent source of money in addition to helping them maintain fans' loyalty [23].

Additionally, TikTok's e-commerce capability enables any user to utilize the app as a marketplace to earn money [24]. According to Peleg, to promote a brand's products or services, businesses, and creators can collaborate to create sponsored TikTok postings or live streams. Creators can thus earn revenue by posting content based on the sponsor's requirements. Alternatively, creators can produce and directly sell their own merchandise to their fans [25]. The opportunities presented by TikTok greatly contribute to its economic significance.

3.2. Advertising Industry Transformations

TikTok's specialized short films are revolutionizing the internet economy [26]. Cai et al. also assert the existence of TikTok provides businesses with a new kind of advertising that has a strong impact on consumers and raises market rivalry [26]. According to TikTok, the number of businesses

promoting advertisements on its network increased by 500% in 2020 [27]. This is mostly because of the affordable and convenient advertisements on TikTok, able to surpass conventional forms such as TV ads and posters that are relatively costly and less communicable [22]. Businesses wanting to gain a competitive edge rely on multiple TikTok marketing tools: mostly open-screen ads and product placement [23]. Open-screen ads are presented in full-screen mode as soon as the user logs into TikTok, which is advantageous in quickly drawing viewers' attention and raising brand recognition [28].

Also, product implantation is the strategic integration of business information and product promotion into the creator's content [23]. Hu specified this marketing method exposes products to viewers with the absence of "perceptual exposure to advertising (p.61)".

Exclusive agreements between businesses and TikTok producers are also growing in popularity because they offer more profound and enduring client touchpoints [29]. Arlia provided Dunkin' as an example: after forming a partnership with TikToker (a TikTok influencer) Charli D'Amelio, there was a 57% boost in dunkin' app downloads and a 20% sales increase in its cold brew coffee sales [29].

3.3. Market Competition and Geopolitical Tensions

TikTok's phenomenal growth and popularity has threatened established social media platforms such as Facebook and Instagram since its debut, reducing their dominance in the market [30]. The weekly usage of TikTok has increased by 13 percent in 2020, whereas Instagram's usage has decreased by 4 points during the same time [30]. Plus, TikTok already surpasses Facebook in popularity among Generation Z and Millennials in America, with roughly 60% of all users falling into that age bracket [31]. Facebook and Instagram's audiences are shrinking, as a result, they are attempting to duplicate TikTok's success model [32]. Facebook's first attempt to overthrow TikTok's dominance in the market was to release a clone—an app called Lasso [33]. Leskin pointed out that the app failed to attract comparable popularity and was shut down in July 2020. Later, Instagram, which is owned by Facebook, created its own "Reels" video-music mix tool first released in Brazil.

The competition for influence between companies has reached beyond technology and created an upheaval between the United States and China [34]. As stated previously, TikTok's prevalence sparked growing political awareness regarding national security and the possible misuse of American personal data [35]. As further argued by Zhang, the value clashes of internet governance between China and the U.S. could potentially leave TikTok and China prone to being "marginalized" in the industry. She claims that the U.S., the EU, and other democratic nations may build a multilateral system to regulate cross-border data flows while excluding China. The digital world might be undermined by this, potentially fragmenting the global internet economy.

3.4. Possible consequences of TikTok ban

TikTok is put at risk by a possible U.S. ban due to the main concerns of data security, children's safety, misinformation, and mental health issues [36]. First, businesses that operate on TikTok may find themselves with a problem in their marketing strategy and revenue [37]. If TikTok is banned, as Royle asserts, businesses would be dissatisfied with the cost and lost resources previously invested in TikTok. Other than the financial perspective, a TikTok ban would have a significant impact on the enterprises' ability to connect with their audience and share important messages [37]. Simultaneously, a potential TikTok ban would create employment gaps and diminish revenue generation for its creators. TikTok influencers, as a group, are effective at creating and monetizing their fans with the creator economy worth \$104 billion [38]. According to Jovanoic (2023), the most successful TikTokers can make \$50,000-\$150,000 per post on average with a brand collaboration [39].

Plus, as mentioned in prior sections, TikTok itself provides a range of employment opportunities such as video editing, sales, design and products, and marketing. Hence if Congress votes to prohibit, or restrict, TikTok, hundreds of employees around the US face job loss or diminished prospects [40]. From a political perspective, broad limits on TikTok or future non-US communication platforms

might have long-term consequences for free speech, global data transfers, and US-China ties [41]. Chin stated two negative implications of a TikTok ban. In the short run, it would restrict a form of speech and creative expression for about one-third of Americans. These are not only brand influencers, musicians, and political activists but also regular everyday Americans who use TikTok. In the long term, the TikTok precedent may lead other countries to impose similar limits on US corporations (e.g. Microsoft and Google), especially given the growing global suspicion of an underregulated US data ecosystem plagued by repeated privacy crises in both the public and commercial sectors [42].

4. Prospects of TikTok

As stated in the previous section, a possible TikTok ban poses threats to both TikTok itself and its stakeholders (users, creators, and the Chinese government). This section is an attempt to speculate potential solutions to this tense situation and the future prospects of TikTok.

4.1. Potential solutions

TikTok's case has yet to be handled by any global trade organization, but the possibility remains. The World Trade Organization (WTO) aims to establish regulations (lowering trade barriers and producing a framework for resolving disputes) for global commerce, lessening the prospect of trade wars [43]. To allow the WTO to intervene in the TikTok tension between the US and China, both countries should demonstrate the urgency of the situation [44]. Jiang advised that the US may do this by offering proof of TikTok misusing user data and causing deliberate information leakage. In this case, it is suggested by Jiang that TikTok should prove the allegations made in Trump's Prohibition order of 2020 and that the associated reports are entirely theoretical and omit to provide any real evidence of the dangers TikTok poses to national security. India, in 2020, became the first country to officially ban TikTok on all devices by accusing it of misusing user data [45]. Other countries, such as Australia, Afghanistan, Canada, and France, have either partially or entirely implemented prohibitions on TikTok [46]. These regulations against TikTok are primarily out of national security concerns [45]. Hence, to avoid being entirely banned in the US, TikTok should increase the transparency of data usage and storage (periodic transparency reports), work closely with local lawmakers and influential political interest groups to gain support, and ally with outside organizations or experts to audit and confirm content moderation methods. Not just for TikTok, in consideration of prior privacy and security issues (such as Facebook and Twitter), the US government should give top priority to passing a nationwide data collection law that addresses the underlying issue: how businesses get, and profit from, personal data.

4.2. Short-term and long-term prospects

In the short term (6-12 months from now), a U.S. nationwide ban on TikTok on personal devices is unlikely to take effect. First, to fully remove an app nationwide, the U.S. government must provide solid evidence to prove TikTok's threat to national security, user privacy, and all the other allegations. Yet, security experts claim that while the government's concerns are significant, they now seem to reflect just the possibility of TikTok being used for foreign espionage—public proof that the Chinese government has really spied on people using TikTok is still lacking [13]. Additionally, such an exclusive ban on TikTok is against the public will. The American Civil Liberties Union (ACLU) asked Congress not to outlaw TikTok, claiming that doing so would violate millions of Americans' First Amendment rights to free expression. According to the ACLU, "Americans have a right to use TikTok and other platforms to exchange our thoughts, ideas, and opinions with people across the country and around the world," [47]. A recent Washington Post survey found that individuals between the ages of 18 and 34 are the most opposed to a national ban on TikTok, with just 28% in support, 40% opposed, and 34% undecided [48].

Yet in the long run (2-5 years from now), there are various possibilities. For Bytedance, one option is to sell TikTok to a foreign-owned company, since multiple Western investment firms already hold

more than 60% of TikTok's shares [49]. This way, users may not perceive a difference, and it would avoid potential chaotic political and legal battles over a ban. In another scenario, congress could outlaw TikTok. In March, a group of bipartisan senators proposed the "RESTRICT Act" that would provide the U.S. commerce secretary extensive authority to restrict or forbid technology from China and five other countries [49]. Ingram and Tolentino stated that the potential bill urges the secretary to take no more than 180 days to decide if a situation poses an "unacceptable risk". Hence, though time is required for the law to pass, the bill is already supported by a sizable portion of the Senate. If eventually, Congress takes no action, it is possible that President Joe Biden himself will take action. Due to complicated legal challenges, the US Department of Commerce will now instead examine applications created and developed by people of a foreign adversary, such as China. According to Biden, it should use an "evidence-based approach" to determine if TikTok constitutes a threat to US national security. One worst-case scenario of these exchanges is that it could escalate into a US-China trade war. Such a trade war can be expected to have a significant impact on world trade and growth and cause other nations to pick a side in this trade war.

5. Conclusion

As a social media, TikTok's scope of influence and popularity does not conceal its complicated essence and perplexing issues it provokes on societal, economic, political, and international levels. Being one of the most popular social media in America, TikTok has been the "game changer" for its marginalized users and businesses demanding exposure and the hub of creation and liberal speech for the young community. Yet its implicit Chinese background stimulates Western concerns and an array of allegations focusing on data privacy and national security, political discourse, and child safety. As these long-standing concerns are leading to a potential TikTok ban, the U.S. could be confronted by unemployment, loss of an instrumental marketing platform, fall of GDP, and even a trade war with China. For the above issues to be resolved, it is suggested to allow the WTO to intervene to minimize the possibility of a trade war. Meanwhile, TikTok should seek solutions to gain the trust of both the US government and its users and also backing from political groups. Looking into the future, it is unclear whether TikTok will take a passive approach—e.g. be acquired by a Western company—to avoid being entirely outlawed, or whether the U.S. government will take firm measures to remove TikTok from all personal devices nationally, or TikTok will continue to thrive unimpacted. In a world where social media prevails, TikTok is not the first case and will not be the last to challenge national governments. Despite these uncertainties, the prospect of an inclusive technology environment that fosters positive competition and mitigates adversities holds great promise.

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I, Emily, hereby declare that the work presented in this paper is my own original work. Where information has been derived from other sources, I confirm that this has been clearly and fully identified and acknowledged.

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