

Weekly China Insight

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US and China reach TikTok deal framework to pave way for leaders call

On 19 September, Chinese President Xi Jinping and US President Donald Trump held a long-anticipated phone call following a breakthrough in bilateral trade talks that produced a framework agreement on TikTok. The deal, reached during two days of economic negotiations in Madrid, outlines a cooperative resolution to US national security concerns around the Chinese-owned app. It includes provisions for entrusted data operations, content safeguards, and licensed use of TikTok's algorithms and intellectual property, subject to Chinese export review and company approval.

No official readout of the Xi-Trump call had been released as of this writing, but the call is being interpreted as a strategic move to stabilize relations ahead of a possible leaders' summit on the sidelines of the APEC meeting in South Korea later this year. Both sides emphasized the importance of managing trade frictions constructively, with Beijing underscoring its opposition to politicizing technology issues and Washington signaling readiness to ease investment barriers.

The TikTok deal marks a tactical de-escalation as both countries work to cool tensions and build momentum for a potential Xi-Trump summit later this year.

US and China escalate trade tensions over oil sanctions, chip restrictions, and regulatory probes during ongoing talks

Between 13 and 16 September, tensions between China and the US escalated sharply as both sides exchanged a new round of punitive economic measures and threats. First, Washington reportedly pushed G7 and NATO allies to impose 50–100% tariffs on China over its continued purchases of Russian oil, framing the move as a form of secondary sanctions aimed at pressuring Beijing on the Russia-Ukraine war. China condemned the effort as "unilateral bullying" and "economic coercion," warning it would take all necessary countermeasures.

Then, China's market regulator (SAMR) launched an anti-monopoly probe into Nvidia, accusing the US chipmaker of violating terms of its Mellanox acquisition. The probe comes in spite of Nvidia CEO Jensen Huang's repeated visits to China and a recent agreement to resume H20 chip sales to China (with a 15% revenue share to the US government).

On 13 September, the Chinese commerce ministry (MofCom) initiated an anti-discrimination investigation into US semiconductor trade restrictions. The inquiry targets US tariffs, export bans, and investment curbs imposed since 2018 under Section 301 and the CHIPS Act, which Beijing alleges have unfairly suppressed Chinese firms in the integrated circuit sector.

Finally, in a parallel action, China opened an anti-dumping probe into US analog chips, claiming prices on imported legacy chips fell 52% between 2022 and 2024, harming domestic industry. The investigation could lead to duties on a wide range of mature-node components.

The flurry of punitive actions on both sides reflects a calculated effort to amass bargaining chips ahead of high-level trade talks in Madrid and a potential leaders' summit. Rather than seeking resolution, both sides are positioning aggressively to shape the agenda and extract concessions in upcoming negotiations.

Beijing moves to strengthen overseas service platforms to support outbound investment

On 12 September, China's State Council convened an executive meeting to advance the construction of a comprehensive overseas service system to support outbound businesses. The push follows sustained growth in outbound direct investment (ODI), which reached USD 192.2 billion in 2024, up 8.4% y/y, keeping China among the world's top three ODI sources for the 13th consecutive year. The meeting aims to enhance coordination across legal, financial, and logistical services, encourage the development of regional "going-global" service hubs, and promote the establishment of service stations in key foreign markets. Local governments in Zhejiang, Shanghai, Guangdong, and Fujian have already piloted integrated service platforms that offer cross-border legal advice, tax support, IP protection, and financial services.

As geopolitical and regulatory risks grow, Beijing is shifting from passive facilitation to active infrastructure-building for outbound investment. This change signals stronger institutional support for Chinese firms expanding abroad, particularly for private and medium-sized companies navigating complex legal and financial terrains overseas.

Beijing's latest service consumption stimulus prioritizes openness over subsidies

On 16 September, the Chinese commerce ministry (MofCom) together with eight other ministries, released a policy document aimed at boosting services consumption. The 18-point plan emphasizes lowering market access barriers for foreign service providers in sectors such as healthcare, telecom, education, culture, and leisure. Despite hopes for direct stimulus, the measures notably avoid new financial subsidies, instead focusing on attracting foreign tourists and improving service quality by inviting more competition from foreign service providers. Key methods include expanding visa-free entry, streamlining accommodation and payment options for foreign tourists, and developing new cross-sector consumption scenarios. The policy also calls for improved long-term care services and greater private and foreign investment in mid- to high-end medical and vacation services.

The initiative underscores Beijing's preference for supply-side liberalization over demand-side stimulus in its efforts to boost service consumption. This move creates potential market openings for MNCs but also falls short of the financial incentives needed to significantly lift domestic consumption.