

US-China

Where Is US-China Talk Heading After Madrid and Xi-Trump Call?

- US and Chinese negotiators concluded a fourth round of talks in Madrid last week with a preliminary deal on the future of TikTok US
- Trump had a call with Xi last Friday to endorse Madrid outcome, with Trump disclosing plans for an APEC meeting, a China visit next year, and a reciprocal Xi trip to the US
- Beijing is pursuing a deliberate “good cop, bad cop” strategy: Xi projects goodwill while regulators and negotiators apply pressure on sensitive US business interests
- The Madrid outcome and Xi-Trump call confirm our assessment that Trump will not secure quick “big number” wins or major concessions from Beijing
- A potential settlement of TikTok US would see ByteDance retain stake while licensing algorithms to the new entity—a structure designed to avoid triggering export controls
- The political calendar in Beijing makes a Trump trip before April 2026 improbable, with China instead likely to use spring forums to signal its intentions via American CEOs

On 19 September, US president Donald Trump and Chinese president Xi Jinping held a nearly two-hour phone call to confirm the outcome of the Madrid talks between negotiators led by US treasury secretary Scott Bessent and Chinese vice premier He Lifeng earlier last week.

The call capped weeks of preparation. On 9 September, Chinese defense minister Dong Jun spoke with US secretary of war Pete Hegseth in a video call, followed by a 10 September call between Chinese foreign minister Wang Yi and US secretary of state Marco Rubio. In both exchanges, Chinese officials voiced explicit concerns about US actions that could further erode bilateral relations. Hegseth, in a first for a US defense chief in such calls, pledged that Washington would “not seek conflict with China nor pursue regime change or strangulation of the PRC.” Rubio’s department offered a readout that avoided mentioning specific issues.

Bessent and He then met in Madrid for the fourth time since May, with discussions focused almost entirely on TikTok. Unlike the previous three rounds, there was little advance guidance to the press on how the talks would proceed or how long they might last. The negotiations ultimately produced a preliminary deal on the future of TikTok’s US operations, paving the way for the Trump-Xi call on Friday.

Good cop, bad cop, and the result of Madrid talks

Ahead of the Madrid negotiations, Beijing signaled its leverage. The Ministry of Commerce (MOFCOM) launched an anti-dumping probe into certain US analog chips and an anti-discrimination investigation into Washington’s measures on integrated circuits. During the talks, the State Administration for Market Regulation (SAMR) announced a continued anti-trust probe into Nvidia, alleging breaches of fair, reasonable, and non-discriminatory terms on intellectual property licensing and access to essential facilities—conditions attached to its 2020 merger with Mellanox.

These measures contrasted sharply with Xi’s tone in his subsequent phone call with Trump, when he invoked the US-China alliance during World War II and emphasized that the two countries should “help each other succeed and prosper together for the good of the two countries and the whole world.”

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Xi's tone was echoed on Sunday by Chinese premier Li Qiang during his meeting with the first US House of Representatives delegation visiting China since 2019 led by representative Adam Smith, former chair of and current top democrat on the House armed services committee.

Taken together, the probes and the pointed warnings from Chinese defense and foreign ministers suggest a deliberate “good cop, bad cop” strategy. Beijing's top leadership projects goodwill, while regulators and negotiators apply pressure on critical US business interests to extract concessions. **We expect this approach to persist, with Beijing stress-testing vulnerabilities in key American sectors to tilt the balance of leadership talks in its favor.**

Beijing's confidence to pursue this strategy appears rooted in Trump's urgency to resolve the future of TikTok US. By our assessment, it was the Trump administration that pushed for the Madrid talks, with Trump's planned UK visit creating a convenient window for negotiators to meet nearby. Bessent's rushed trip to London immediately after Madrid underscores this sequencing. Washington has already confirmed another Bessent-He meeting in a month, likely the round originally scheduled after Stockholm.

Beijing used the Madrid momentum to press for broader concessions: **A Xi-Trump meeting on the sidelines of the APEC summit, improved US treatment of Chinese investment, and a Trump visit to China ahead of a reciprocal trip by Xi. In exchange, China signaled willingness to greenlight a “licensing”—not an export—of TikTok's algorithms, allowing TikTok US to remain viable.**

To limit precedents that could expose other Chinese national champions to forced sales, Beijing framed the deal carefully. MOFCOM, in response to media questions, characterized the TikTok resolution as a matter of “corporate will,” emphasizing that the tech giant had reached a law-abiding, balanced solution through rule-based negotiations. **MOFCOM also reiterated Beijing's expectation for the US to provide an open, fair, just, and non-discriminatory environment for Chinese firms operating in the US.**

For both governments, this arrangement would offer political upsides. By licensing rather than exporting algorithms, China could avoid triggering domestic export control reviews. Trump secures continued access to TikTok as a key channel to younger voters—a role that has become even more critical after the murder of conservative activist Charlie Kirk. The deal structure reinforces this intention: Control of TikTok's US operations will [rest](#) with a joint venture, over 80% owned by US investors. Among them is media mogul Lachlan Murdoch, underscoring TikTok's importance as a conduit to the conservative base.

The eventual ownership structure of TikTok US remains uncertain, but one likely outcome is that ByteDance retains the largest single shareholding, while US investors collectively hold a super-majority stake. **That setup would enable ByteDance to license its core algorithms while giving Washington oversight sufficient to meet national security requirements.** Congress may object to such a structure, but given the current dynamics between the White House and Capitol Hill, opposition is unlikely to derail the deal.

Xi-Trump call, and what comes next

The Friday call between the two presidents largely served to confirm the agreements reached by negotiators in Madrid. Yet the Chinese readout and Trump's Truth Social post—effectively the most detailed US “readout” to date—showed notable discrepancies.

Beijing's version emphasized equality, respect, and reciprocity, with TikTok as the only concrete issue mentioned. Trump, by contrast, highlighted a much broader agenda: Trade, fentanyl, the war in Ukraine, TikTok, his planned meeting with Xi at APEC, a visit to China next year, and a reciprocal trip by Xi to the US “at an appropriate time.”

The asymmetry underscores Trump's urgency to “deliver” tangible results. Beijing appears to be watching this dynamic closely. Vice premier He Lifeng's more upbeat demeanor after Madrid compared with the previous three rounds suggests that China believes it now has greater leverage to secure concessions from Washington.

Still, the outcomes also confirm our earlier assessment that Trump will not travel to Beijing without “big number wins” or major concessions from China (see: [US Field Notes: Scenarios and What Washington and Beijing Want](#)). Without a large-scale investment pledge—such as the type recently struck between Japan and the US—**Beijing's most feasible route to satisfy Trump's domestic agenda would be to announce significant Chinese investments in the US**, whether through major acquisitions, greenfield projects, or other sizable deals.

This helps explain Xi's emphasis on providing a “fair, open, and non-discriminatory” environment for Chinese firms investing in the US—a deliberate, nuanced difference from MOFCOM's language, which referred only to firms **operating** in the US and was tied to the TikTok deal.

If Trump takes Xi's words seriously, he will need to roll back parts of the America First Investment Policy signed on 21 February, which restricts Chinese-affiliated investment in critical US sectors. That policy also requires a review of the 1984 US-China income tax convention, known as US-China DTA. The treaty has long prevented double taxation and reduced the cost of profit repatriation for multinationals operating in both markets. **For Beijing, extending the DTA will be central to any “fair and non-discriminatory” investment environment.**

To sweeten the offer, China could resume large-scale agricultural purchases from the US—an area where Beijing has deliberately applied pressure on Trump by targeting key farm states. Beijing is also expected to continue pressing for tariff reductions and point to its tightened export controls on fentanyl precursors. But significant concessions are unlikely without reciprocal US movement on investment.

Timing also works against an early breakthrough. China's political calendar makes a Trump visit before April 2026 improbable. The first quarter will be dominated by provincial “two sessions” in January, the Lunar New Year holiday in February, the national “two sessions” in March, followed by the China Development Forum and Bo'ao Forum. The latter two, traditional venues for Beijing's outreach to multinationals, are likely to feature major US corporate participation. **Beijing could use those American CEOs as informal messengers to the Trump administration in the lead-up to a potential Xi-Trump summit later in the year.**