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WORLD | CHINA

China's Message on Nvidia: We Have Leverage Too

With TikTok deal getting closer, Beijing signals it wants a further deal over U.S. technology

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The U.S. and China are close to wrapping up a deal to [keep TikTok running](#) in the U.S. Beijing is signaling it wants a second deal on technology—and will play hardball with the most valuable American company to get it.

The first deal is poised to give each side something it wants. President Trump, who has said he thinks TikTok may have helped get him elected, will please his young supporters who are devoted to the video-sharing app. And American businesses are set to get a stake in the U.S. TikTok business.

China, for its part, is angling for a Trump visit to Beijing and now seems a step closer to getting it. If it happens, Chinese leader Xi Jinping, fresh from an [extravagant military parade](#) in Beijing where he was surrounded by the likes of Russian President [Vladimir Putin](#) and North Korean leader Kim Jong Un, would be able to show his people that even the American president wants to come to China.

But for all their symbolism, neither a Trump-Xi meeting nor a TikTok deal gets to the heart of the U.S.-China economic relationship. The U.S. is still imposing tariffs of at least 30% and sometimes much more on most Chinese goods, and it is restricting China from accessing some of the most critical artificial-intelligence and semiconductor technology.



China's Vice Premier He Lifeng in Madrid on Monday. PHOTO: J J GUILLEN/EPA/SHUTTERSTOCK

That is the backdrop for the surprise Beijing sprang on Monday just as Treasury Secretary Scott Bessent was wrapping up the TikTok negotiations in Madrid with his Chinese counterpart. The Chinese antitrust regulator put out a brief statement saying a [preliminary probe](#) found U.S. AI chip leader [Nvidia](#) NVDA **-1.61%** ▼ violated the country's antimonopoly law in connection with a more than 5-year-old acquisition.

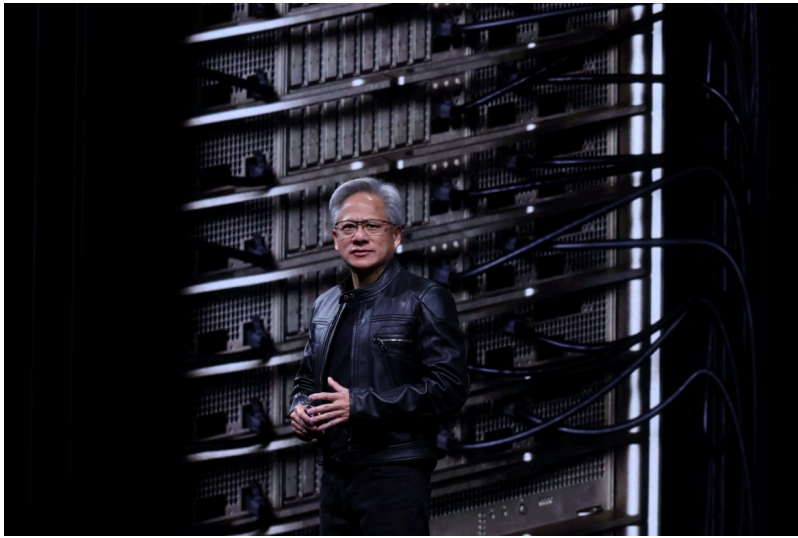
The message, say people who consult with Chinese officials: China has power over the most valuable American company and others like it.

In Beijing's scenario, the threat will serve as a bargaining tool with the U.S. and persuade Trump to back off, at least a little, on tariffs and other trade issues.

But there is an element of bluff in China's gambit. As recently as three years ago, the country accounted for one-fifth of Nvidia's global revenue. Today, after export controls imposed by the Biden administration and preserved by Trump, the figure has fallen to 6%. With Nvidia's order book filled by demand mainly from American customers, there is only so much Beijing can do to hurt the company's prospects.

And while some officials in Beijing would prefer that the country go without Nvidia chips—the better to spur on domestic chip makers—people in the Chinese tech industry say they need Nvidia as much as the U.S. company needs them.

Nvidia is designing a [new chip for Chinese customers](#) based on its Blackwell technology that would help companies in China scale up AI applications from manufacturing to banking. If U.S.-China tensions prevent Nvidia from selling the chip, people in the industry say, that could disadvantage China in the AI race with the U.S. in the short run.



Nvidia CEO Jensen Huang. PHOTO: GONZALO FUENTES/REUTERS

During the Madrid negotiations, China's chief trade negotiator, Vice Premier He Lifeng, asked for the full removal of tariffs and export controls, according to people familiar with the matter. The Trump team refused to give any ground, the people said.

At the same time, they said, U.S. negotiators flexed their own leverage: A potential meeting between Xi and Trump would be off the table without a deal on TikTok. The U.S. negotiators also told their Chinese peers that Trump could shut down the app entirely if no agreement were reached.

Trump and Xi are set to speak later this week to nail down the TikTok framework.

Under the current proposal, a consortium of U.S. investors would take a majority stake in a newly created TikTok U.S. entity that will operate the app in the country, according to people familiar with the matter. Cloud-computing firm [Oracle](#), which hosts TikTok user data, is expected to be involved in the deal.

American users would be asked to shift to a new app, which TikTok has built and been testing, said people briefed on the plans.

"Both sides have reached a basic consensus on resolving the TikTok issue," Wang Jingtao, deputy director of China's top cyberspace regulator, told reporters in Madrid.

Beijing had expressed concern about a U.S.-controlled entity using technology that TikTok's parent developed in China, in particular the algorithm that decides which videos to recommend.

But Wang said China was now open to "licensing the use of TikTok's algorithm and other intellectual property rights."

With the prospects of a deal in the U.S. rising, the internal valuation of TikTok's Chinese parent, ByteDance, hit a record high of around \$330 billion in August,

according to a share buyback tender seen by The Wall Street Journal. ByteDance's shares aren't listed on a stock exchange but it has been regularly buying shares owned by employees and investors.

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