

Hopes for more constructive US-China ties after Trump hails meeting with Xi

President Trump declared that the long-awaited meeting with Xi was amazing, outstanding, a "12 on a scale of 10", with the Chinese President expressing a willingness to work with his US counterpart to lay a solid foundation for China-US relations and reassure the world economy



Donald Trump declared yesterday's talks with Chinese President Xi a huge success.

Top level meeting firms up the "hard won consensus"

The long-awaited meeting between the presidents of the world's two largest economies marked a major milestone in what has been a period of friction for US-China ties. The meeting concluded on a positive note, setting up a year-long truce. In terms of the immediate implications, the successful meeting defuses the immediate prospects of another sharp cycle of tariff and non-tariff escalations and the potential economic and market fallout that would accompany it.

While all eyes were on the high-profile meeting between US President Donald Trump and Chinese President Xi Jinping, the groundwork for this meeting took place earlier in the week, when a "hard-won consensus" was achieved between the main negotiators of China and the US.

The key talking points have been well publicised in the past few months, and both sides appeared to secure some benefits after the talks, though follow-up work remains to be finalised. Initial reports indicate agreements on some of the following categories:

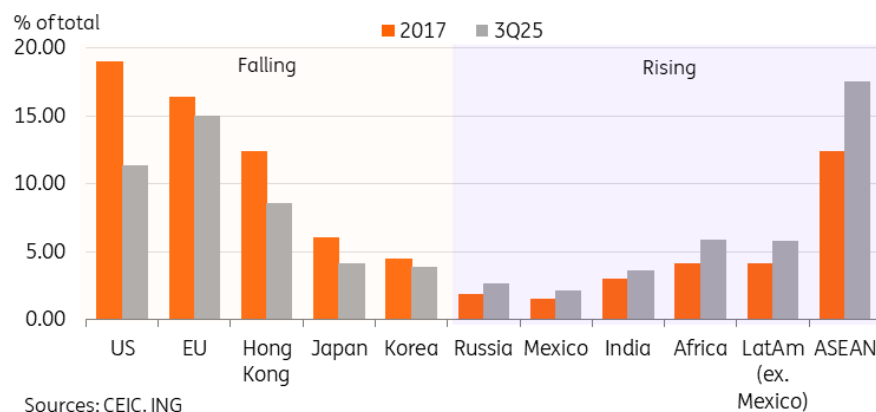
- Fentanyl-related tariffs to be lowered by 10%, bringing the effective tariff rate on Chinese products to around 47%. In return, China is set to cooperate on the fentanyl issue, though specifics were not provided. The lowered tariffs, combined with higher tariffs on many other global economies, will help improve Chinese exporters' competitiveness on the margins, especially for the categories which are not impacted by sector-specific tariffs. With that said, exports have remained resilient this year as China has diversified its exports away from the US.
- Export controls will not be tightened. On China's side, the extended rare earth export controls requiring export licences to sell products containing Chinese rare earths shocked markets earlier this month. An agreement was reached to delay these expanded export controls for a year, which should help alleviate fears.
- Rollback of sanctions expansions on majority-owned Chinese companies, which would have led to more companies falling under a sanctions umbrella. This could have implications for various Chinese firms.
- Expansion of agricultural trade. China is set to resume purchases of US soybeans, though the scale of these purchases remains uncertain, and reports have been that China has secured most of its soybean demand for early 2026 already.
- The proposed port fees on Chinese ships and China's corresponding retaliation on US ships may be rolled back for one year.

Dialling back bilateral tensions should help remove a source of uncertainty, and extending the truce periods from the three-month frameworks of the past few agreements to a year-long agreement should help reduce an intermittent source of uncertainty for markets.

While cautious optimism may be the prevailing mood after the meetings, it should be noted that many milestones must go well for this truce to last for the entirety of the one-year term. While neither China nor the US wish to see a mutually damaging re-escalation, the countries nonetheless remain locked in a longer-term strategic competition, and as we have seen in the past few months, miscalculations can easily occur along the way.

In the longer term, we still appear to be heading towards a world where more economies are focused on economic security. [Our first look at China's next Five Year Plan](#) has emphasised the importance of tech self-sufficiency and innovation. The "de-risk China" theme has been prevalent in recent years, but at the same time, China has diversified its export structure and foreign reserve holdings in recent years as well, reducing its exposure to the US. While a return to win-win cooperation and globalisation would be welcome boosts for the outlook, time will tell if the positive tone can truly last.

De-risking has caused a major shift in China's export structure away from the US



Author

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.