

TRENDMACRO LIVE!

Hot Take on the Trump/Xi Trade Meeting

Thursday, October 30, 2025

Donald Luskin

Trump “wins” – still the highest tariffs in a century, but no rare earths shock.

The meeting overnight between US President Donald J. Trump and Chinese President Xi Jinping was very much the non-event we've been expecting (see [“Trade Deals Large and Small, Real and Unreal”](#) October 17, 2025 and [“Hot Take on the Resumed US/China Trade Crisis”](#) October 11, 2025). *As a single slogan it can be understood as a one-year extension of the trade “truce” or “reset” announced in May, which stood the two nations down from ruinous tit-for-tat tariffs of 145%, and the withdrawal of new trade assaults by both sides since then* (see [“The China Not-Reset”](#) May 14, 2025).

But you've got to love [Trump's version](#): “On a scale of 0-10 with 10 being the best, the meeting was a 12.”

[Xi's version](#): the agreement is a “reassuring pill.”

- *Perhaps it is a slight improvement over the May “reset”* in that the US has agreed to halve the [20% fentanyl tariffs imposed in March](#) – which actually restores the tariff to the [10% level that was initially imposed in February](#).
- That must have been hard for Trump, because he thinks tariffs are an end in themselves, and reducing them is a form of “losing.”
- But [according to Trump](#), Xi agreed to work “very hard” on curbing fentanyl precursors. “I think you're going to see some real action taken.” Well, that's what [he said](#), and [Xi said](#), as it were, back in 2019 when they struck the [“Phase One Trade Deal”](#) that ended up going precisely nowhere.

As of this writing, we have [an official read-out from China's Ministry of Foreign Affairs](#), offering no details beyond:

“President Xi noted that the two teams had an in-depth exchange of views on important economic and trade issues, and reached consensus on solving various issues.”

However, after the Trump/Xi meeting, [China's Ministry of Commerce published a statement](#) affirming the key details, saying they had all been worked out in advance in the Kuala Lumpur staff meetings earlier this week.

Update to strategic view

US MACRO, ASIA

MACRO: Trump and Xi have basically agreed to extend the “truce” or “reset” negotiated in May for one year. Most of the trade assaults put in place since then are being removed for a year, including China's new extraterritorial export controls regime for rare earths, the US's expanded export controls on technology products, and reciprocal port fees. The slight improvement over the May agreement is the reduction of the US fentanyl tariff from 20% to 10%. Trump says China has committed to stemming the flow of fentanyl, and buying agricultural and energy products from the US – all commitments made, but not fulfilled in the “Phase One Trade Deal” in 2019. As of this writing markets are indifferent – good: nothing blew up. Trump has achieved his objective of moving gradually to economically decouple from dependency on Chinese manufacturing, avoiding an economic shock such as an embargo on rare earths. Economically, high tariffs are a deadweight loss. But the Supreme Court will likely take care of that, with oral arguments coming next week.

And we have [Trump's Truth Social post](#):

"President Xi authorized China to begin the purchase of massive amounts of Soybeans, Sorghum, and other Farm products. Our Farmers will be very happy..."

"China has agreed to continue the flow of Rare Earth, Critical Minerals, Magnets, etc., openly and freely..."

"China also agreed that they will begin the process of purchasing American Energy. In fact, a very large scale transaction may take place concerning the purchase of Oil and Gas from the Great State of Alaska."

Beyond this, we have reporting on statements by various officials.

- Apparently China is suspending for one year its new extraterritorial export controls regime on rare earths. [Trump said](#), "That roadblock is gone now. There's no roadblock at all on rare earth [sic]."
- [US Trade Representative Jameson Greer said](#) the US would postpone plans to impose Section 301 port fees on Chinese-owned or Chinese-built vessels. China will reciprocate by removing its similar fees on American-built vessels (both of them).
- [Trump said](#), "We did discuss chips... They're going to be talking to Nvidia and others about taking chips." He said they didn't specifically discuss Nvidia's premium Blackwell chips.
- [China's Ministry of Commerce claims](#) the US has granted a year-long delay of export restrictions that would have expanded the number of Chinese companies subject to US trade restrictions. Subsidiaries that are at least 50% owned by blacklisted companies would have faced the same curbs as their sanctioned parents.
- [The Ministry also says](#) "China will properly resolve TikTok-related issues with the United States."

Who won?

- As of this writing very early Thursday morning, markets aren't acting like they care one way or the other. *So in a very important sense, everyone won, because nothing blew up.*
- *But in terms of geopolitical maneuvering, we have to say we think Trump won.* But he didn't win big. In some sense, the idea was to win small.
- We continue to think his objective is to "contain" China the way the Western democracies *"contained" the Soviet Union in the Cold War.* This time around, that entails an economically painful decoupling from dependency on Chinese manufacturing, which Western leaders like Trump must execute only gradually lest they lose their electoral mandates. *Trump won in the sense that he still has tariffs on China at almost 50%. Yet it would seem Trump has avoided the accelerated economic shock of targeted retaliation such as embargo of rare earths.* That's his "12," we suppose.

Contact TrendMacro

On the web at
trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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- That's from Trump's point of view. As economic analysts, we think *tariffs at levels higher than we've seen for the better part of a century are a deadweight loss to the world economy. Everyone loses.*
- But then, we expect [the Supreme Court](#) to fix that part straight away. Oral arguments next week. Stay tuned.

Bottom line

Trump and Xi have basically agreed to extend the “truce” or “reset” negotiated in May for one year. Most of the trade assaults put in place since then are being removed for a year, including China's new extraterritorial export controls regime for rare earths, the US's expanded export controls on technology products, and reciprocal port fees. The slight improvement over the May agreement is the reduction of the US fentanyl tariff from 20% to 10%. Trump says China has committed to stemming the flow of fentanyl, and buying agricultural and energy products from the US – all commitments made, but not fulfilled in the “Phase One Trade Deal” in 2019. As of this writing markets are indifferent – good: nothing blew up. Trump has achieved his objective of moving gradually to economically decouple from dependency on Chinese manufacturing, avoiding an economic shock such as an embargo on rare earths. Economically, high tariffs are a deadweight loss. But the Supreme Court will likely take care of that, with oral arguments coming next week. ▶