

30 October 2025

US-China Trade

Xi and Trump put a lid on trade tensions once again

- The meeting between Trump and Xi did not contain any surprises after the framework deal was revealed over the weekend. China achieved reduction in Fentanyl related tariffs while Trump secured soybean exports being resumed and China delaying its' export controls by at least a year.
- It is positive the two sides are able to de-escalate tensions quick and provide calm back into the global trading system. We expect to see more bumps on the road, but the two sides will try not to rock the boat ahead of Trump's China visit in April.
- With tariffs on China coming down, it narrows the gap to other Asian countries and could lead to a recovery in Chinese exports to the US and a rewidening of the trade deficit.

What did Trump and Xi agree on?

Below a short overview of what was agreed based on media reports

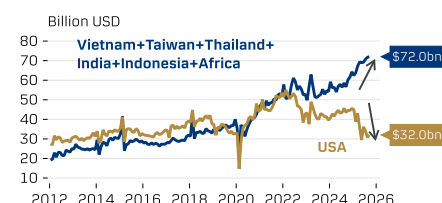
- US **fentanyl** related tariffs on China cut from 20% to 10%
- China delays **export controls** on rare earths by a year and could be extended. In return US will suspend a new rule that broadens restrictions to any company at least 50% owned by companies on the entity list.
- China will resume **soybean purchases** from the US.
- A US probe into Chinese **shipbuilding** has been postponed while US and China discuss the issue further. China suspends its' countermeasures on shipping.
- US **investigation** into China's compliance with the Phase One agreement is also postponed.
- Trump set to **visit China** in April. Xi to visit the US later in 2026.

In addition, Trump mentioned on Air Force One that China will invest more in the US but provided no details.

Things missing from the deal was sales of Nvidia Blackwell chips but Trump said he would give more information later. Taiwan and a TikTok deal also didn't come up. And while they discussed the war in Ukraine, Trump said they did not talk about Chinese oil purchases.

Trade diversion may come down on lower tariffs...

Chinese Export Value, Seasonally Adjusted, USD



Sources: Macrobond Financial, U. S. Census Bureau, Danske Bank

...and US-China deficit could widen again

US-China trade balance



Sources: Macrobond, China General Administration of Customs, Danske Bank

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Implications of the deal

As mentioned, US agreed to halve the so-called fentanyl tariffs on China to 10% after the country committed to curbing exports of fentanyl precursor chemicals. The fentanyl tariffs were set at 20% last spring, and we have estimated that the overall trade-weighted average tariff rate on China has been hovering around 40%. This means the agreement lowers the overall tariffs to around 30%. Importantly, this is better consistent with tariff rates that the US charges for imports from most other trading partners across East and South-East Asia.

The tariff reduction could hence incentivize at least a partial recovery in China's direct exports to the US. Since last spring, Chinese export flows have been increasingly diverted towards third countries particularly in South-East Asia. Furthermore, these countries have accounted for a rising share of US imports, reflecting a re-routing of trade flows around the highest tariff barrier against China.

As such, the tariff reduction will have only a small impact on US tariff revenues, which have stabilized around USD32bn per month over July-September. As direct imports from China make up less than 8% of all US imports, a 10%-point reduction in the tariff rate decreases the trade-weighted total average tariff rate by less than 1%-point.

In our view, China's commitment to purchasing US soybeans reflects a low-hanging fruit for both parties. China has refrained from buying soybeans from the US over the past months, but summer export volumes have always been close to zero ahead of the key autumn harvest period. China has typically started to ramp up its import volumes in September-October, but as the purchases are now formally included in the deal, they appear as a political victory for Trump. Media sources suggested China had made its first autumn purchases already ahead of this week's meeting (See [Reuters](#)). China has historically bought more than half of all exported US soybeans, which are grown particularly in the key swing states across Midwest.

With the deal, trade tensions will likely move to the background again and the two sides are in our view unlikely to rock the boat again ahead of Trump's visit to China in April. At this meeting, the issues around chips, Taiwan, Chinese investments and purchases of US goods could also be on the table. As the deal was largely priced in markets ahead of the meeting today, the market impact is limited and the trade theme will fade again from market focus for a while.

Chinese value added has flown towards the US increasingly via third countries

International Trade Flows (USD)

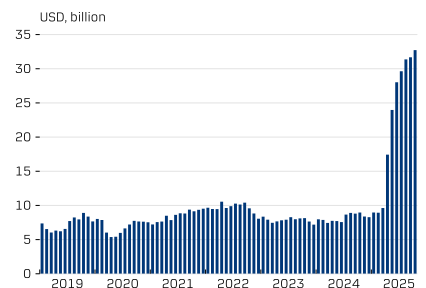


Note: SEA = Vietnam, Thailand, Taiwan, India, Indonesia.

Sources: Macrobond, China General Administration of Customs, Vietnam General Administration of Customs, Thailand Ministry of Commerce, Taiwan Ministry of Finance, Indian Ministry of Commerce & Industry, Statistics Indonesia

US tariff revenues have stabilized around USD31-32bn per month

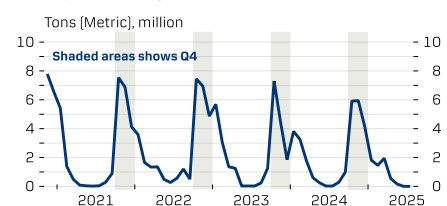
US, Monthly Tariff Payments to Treasury General Account



Source: Macrobond Financial, U. S. Department of Treasury, Danske Bank

Soybeans shipped to China again soon

US exports of soybeans to China



Source: Macrobond Financial, U. S. Department of Agriculture, Danske Bank

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