

The Xi-Trump talks: was anything achieved?

The talks between presidents Xi Jinping and Donald Trump were important and timely though the mood music was subdued. Expectations were low and were, if anything, underachieved with little more than a few gestures of commercial goodwill. Former British minister for Business, Skills and Innovation Vince Cable reports.

6-minute read



US President Donald Trump and Chinese President Xi Jinping meet amid growing tensions over trade, technology and Taiwan.

The detailed negotiations centred on trade and were, in many respects, a continuation of negotiations during the first Trump administration which were inconclusive: in effect a ‘no-score draw’.

But in the intervening years the underlying imbalances have become worse. They can be summarised in the cliché that ‘China saves too much and the USA saves too little’. The external manifestation of this macro-economic phenomenon is the large trade and current account surpluses of China and the deficits of the USA. Trump is obsessed by the bilateral deficits with China, but chronic imbalances are a problem for the world.

Neither country appears able or willing to tackle the underlying imbalances. Instead, the USA has pursued a decoupling strategy under both the Biden and Trump administrations, mainly through selective use of export controls – which may have aggravated the trade imbalance, while the Chinese have also sought greater ‘self-reliance’.

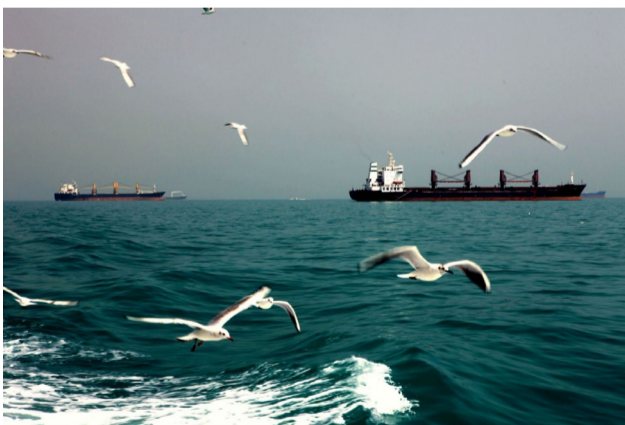
Trump has returned to his original obsession about the bilateral trade deficit by imposing high tariffs on Chinese exports. But this stalled when the Chinese government retaliated in the form of export restrictions on supplies of 'critical minerals' such as the 'rare earth' elements which play a key role in advanced manufacturing. Trump backed down, earning him the title of TACO (Trump Always Chickens Out). The unwillingness of the US Supreme Court to legalise the tariffs has rendered the issue moot in any event.



Trade tensions between Washington and Beijing continue to reshape global supply chains and advanced manufacturing sectors. Image AI generated

Since Trump has had his fingers burnt once in a trade confrontation with China, he does not want to risk another. But the Chinese wanted a stable relationship with the USA and saw that it was not in their interest to humiliate Trump by sending him away empty-handed. So there were a few concessions – for China to buy more Boeing jets and US animal feed – providing Trump with some good, politically useful pictures and tweets – but they are disarmingly vague.

Trump had another big ask. He wanted some help in extricating himself from the disastrous war with Iran which has failed to achieve any of its several goals and is now feeding through into higher petrol, diesel and fertiliser prices in the USA. The Chinese are not only the biggest consumer of Iran's sanctioned oil exports; they are also allegedly supporting the Iranian war effort by passing satellite images of American military assets. It is uncertain as to whether China can influence Iran's current leadership; nor why they would want to. China is paying an economic cost for the closure of the Gulf of Hormuz but it suits China to have the USA distracted in the Middle East and fast losing friends and credibility. In the event, no firm undertakings appear to have been given.



The Persian Gulf near Hormuz Island, where regional conflict increasingly intersects with global trade security. Photo: Ninara/CC BY-SA 2.0

It seems odd that Trump has somehow become the 'demandeur' in the bilateral relationship. China's economy is suffering seriously from the collapse in the property market, while the government lacks the fiscal space to inject necessary domestic demand. Growth depends precariously on exports and the willingness of the rest of the world to absorb them. By contrast, the USA is enjoying the momentum of an AI-led boom defying all predictions of doom and gloom. Trump's personal metric of economic success, stock market valuation, is stratospheric.

Yet China's standing internationally is greatly strengthened relative to the USA. This is in part a recognition of China's long-term economic advance and its growing leadership role in technology, especially in sectors like renewable technology whose importance has been underlined by the dangers of dependence on oil and gas. But the key change is the perception that China is the 'adult in the room': stable and reliable. Countries that are on the receiving end of trade mercantilism and unsympathetic treatment of debt are under no illusions that China is a Mr Nice Guy. But predictability trumps chaos. To use President Trump's favourite metaphor, Xi is playing a weaker hand of cards better.



China's growing influence in AI, renewable energy and advanced manufacturing is reshaping global economic power balances. Photo: Xinhua

The meeting certainly did not result in a 'grand bargain' and barely produced a 'small bargain'. But there are two other face-to-face meetings later this year and these may achieve Chinese objectives of a loosening of the controls which limit Chinese access to those few parts of the advanced AI ecosystem in which it is not already self-sufficient or ahead. There may be a loosening of restrictions on Chinese investment in the USA.

The surprise of the summit was that Xi placed so much emphasis on Taiwan, warning that failure to stabilise the issue (and in China's favour) will result in deepening conflict with the USA. The Chinese are in no position to invade Taiwan through frontal assault but can undermine Taiwan's defence through 'grey zone' warfare techniques and, possibly, some form of blockade. They almost certainly calculate that time is on their side with the possibility that internal politics in Taiwan may shift towards accommodation with the mainland. The immediate objective is to head off demands for Taiwanese independence and to weaken US military support. Trump's subsequent comments suggest that he was persuaded by Xi to make clear that the US does not support Taiwanese *de jure* independence, as opposed to the current *de facto* independence.



Taiwan remains the most dangerous flashpoint in the increasingly competitive US-China relationship.

What we may now see is a power struggle in Washington. On one hand, there are the security 'hawks', like Rubio, who see no prospect of major deals with China and worry that a weakening of the position on Taiwan opens the way to a weakening of American influence in the Asia-Pacific. On the other, those around Trump are more concerned with economic issues and trade and the possibilities for good deals (including politically advantageous deals). For them, Taiwan is just a nuisance to be bargained for, like Greenland or Ukraine. The Chinese will play the latter group against the former.

The personalities and political agendas of Trump and Xi are so different that it is difficult to see tangible progress on the big, complex and difficult issues which lurk in the background. There is a dangerous escalation in nuclear weapons and there are no 'guard-rails' of the kind which prevented accidental nuclear conflict between NATO and the Soviet Union. Competition in Artificial General Intelligence, and more generally in AI, involves some very risky activity but there is no agreement on regulatory cooperation. The Taiwan issue potentially poisons any attempt to build bridges to tackle these issues.

So, we had some warm words and media-friendly gestures but little of real substance. The most important bilateral relationship in the world remains highly competitive at best and seriously hostile at worst.

Sir Vince Cable led the British Liberal Democrat party and served in government as Secretary of State for Business, Skills and Innovation, 2010-2015. His latest book is *Eclipsing the West: China, India and the Forging of a New World*.