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The Anticipated Trump-Xi Summit: Why Tensions Are Structural

By

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7 April 2026

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The Anticipated Trump-Xi Summit: Why Tensions Are Structural

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Executive Summary

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US-China Tensions Are Structural

- ✦ The planned Trump-Xi meeting, delayed by geopolitical tensions, reflects a broader shift: US-China relations are increasingly shaped by external crises rather than bilateral diplomacy.
- ✦ Tensions are no longer cyclical but structural, rooted in competition over technology, industrial policy, and global supply chains rather than tariffs alone.
- ✦ The absence or delay of high-level dialogue signals deeper structural change, as diplomacy becomes less effective in shaping outcomes.

Economic Relations and Trade

- ✦ Global trade operates through power and strategy, not neutral rules, limiting the ability of negotiations to resolve core conflicts.
- ✦ China follows a long-term, state-led strategy focused on resilience, technological upgrading, and reducing external dependence, while the U.S. response has been more reactive and politically constrained.
- ✦ China offset losses by expanding exports globally, maintaining a record trade surplus, while the U.S. deficit remained high due to substitution rather than reindustrialization.
- ✦ Strategic dependencies, such as rare earths, remain intact, highlighting the limits of decoupling despite shifting supply chains.
- ✦ China's economic model faces structural constraints: rebalancing away from exports requires difficult trade-offs between growth, debt, and industrial dominance.

Managing Frictions

- ✦ A fragile US-China trade truce persists, but tensions remain, with China responding to U.S. pressure through targeted counter-probes rather than immediate escalation.
- ✦ Both sides maintain dialogue described as "constructive," yet consultations increasingly serve to manage disputes rather than resolve them, reflecting deeper structural tensions.

Economic tools, tariffs, investigations, and sanctions, are being used as instruments of geopolitical competition, signaling a shift from market-driven relations to strategic, state-driven rivalry.

Energy, Geopolitics, and Asymmetry

- ✦ China is relatively insulated from energy shocks due to large strategic reserves (~1.3bn barrels), diversified suppliers, and higher electrification (~30% of energy use), making it more resilient than the U.S. and Europe.
- ✦ The U.S. continues to rely on financial dominance, sanctions, and energy leverage, but these tools face growing constraints as alternative trade and payment systems emerge.
- ✦ This asymmetry reflects a broader shift toward a more fragmented and multipolar global system, where energy, finance, and trade are increasingly intertwined and structural rivalry deepens.

Why US-China Tensions Are Structural

President Donald Trump is expected to visit China in May, marking his second trip to Beijing after his 2017 visit, which was soon followed by the launch of a major trade war. Originally scheduled for earlier in the spring, the visit has been delayed amid escalating tensions in the Middle East, underscoring a markedly different geopolitical context. The potential delay, or even absence, of a Trump–Xi meeting signals a deeper shift: US–China relations are increasingly shaped by overlapping geopolitical crises rather than bilateral diplomacy alone. As economic and security dynamics converge, tensions are becoming structural, limiting the ability of dialogue to meaningfully alter their trajectory. In this sense, U.S.–China relations are embedded within a broader landscape of systemic competition. The question is not whether the meeting will improve relations, but whether it can meaningfully change their trajectory.

While both sides may present the summit as a step toward stability, the reality is one of continued strategic rivalry rather than genuine convergence. The core drivers of tension have shifted beyond tariffs toward deeper structural competition in technology, industrial policy, and global supply chains. Global trade is not governed by neutral rules but by power and industrial strategy, making conflicts of this kind inherently difficult to resolve through negotiation alone.

This reflects an increasingly asymmetric dynamic. China, under Xi Jinping, is pursuing a long-term strategy centered on economic resilience, technological upgrading, and reduced external dependence. China’s growth model, rooted in high investment and persistent trade surpluses, cannot easily rebalance without significant domestic adjustment, implying that external tensions will remain a key driver of change. By contrast, the United States has relied more heavily on tariffs, sanctions, and selective industrial policy, often deployed in a more reactive and politically constrained manner.

At the same time, the global economy is entering a phase where geopolitics, energy shocks, and financial conditions are increasingly intertwined. This reduces the scope for purely economic solutions to what are now systemic tensions. More critical perspectives go further in interpreting US policy as an attempt to contain China’s rise through a broader strategy of economic and geopolitical pressure and deem these strategies rther futile. Such views highlight the extent to which economic relations have become embedded within a wider strategic contest.

In this context, US-China tensions are no longer cyclical or negotiable in the traditional sense, they are structural. Any meeting between Trump and Xi is therefore more likely to manage friction at the margins than to fundamentally alter the trajectory of economic fragmentation and long-term rivalry.

The Absence of Dialogue as Signal

If the planned Trump–Xi meeting is delayed or does not take place, this would itself carry important implications. The postponement, reportedly linked to geopolitical tensions in the Middle East, highlights a broader shift: US–China economic relations are increasingly shaped by external security dynamics rather than bilateral negotiation alone.

In this sense, the absence of dialogue would not represent a temporary disruption, but a signal of deeper structural change. The broader geopolitical environment is further complicating U.S.–China relations. Recent developments—from escalating tensions in the Middle East to continued conflict in Ukraine and rising frictions in the Asia-Pacific—highlight the extent to which U.S. foreign policy is operating across multiple, overlapping theatres of competition. At the same time, critics argue that such strategies risk overextension and may contribute to broader instability, particularly when multiple geopolitical fronts interact with already fragile global economic conditions. These tensions reinforce the view that that U.S.–China relations are no longer confined to bilateral trade disputes, but are embedded within a wider landscape of systemic competition.

Economic Relations: Beyond Tariffs to Technology

While trade will remain central to the agenda, the focus has shifted away from tariffs toward deeper structural issues. Beijing now appears more confident in managing tariff pressures and is instead prioritizing US technology restrictions, particularly in semiconductors and artificial intelligence, as well as the expansion of the US “entity list” and tightening constraints on Chinese investment.

In return, [China may offer selective concessions, including increased imports of US agricultural and energy products, alongside limited market opening in services](#). However, such exchanges remain largely tactical and are unlikely to address the underlying drivers of economic decoupling, which are increasingly rooted in national security concerns and industrial policy competition rather than trade imbalances.

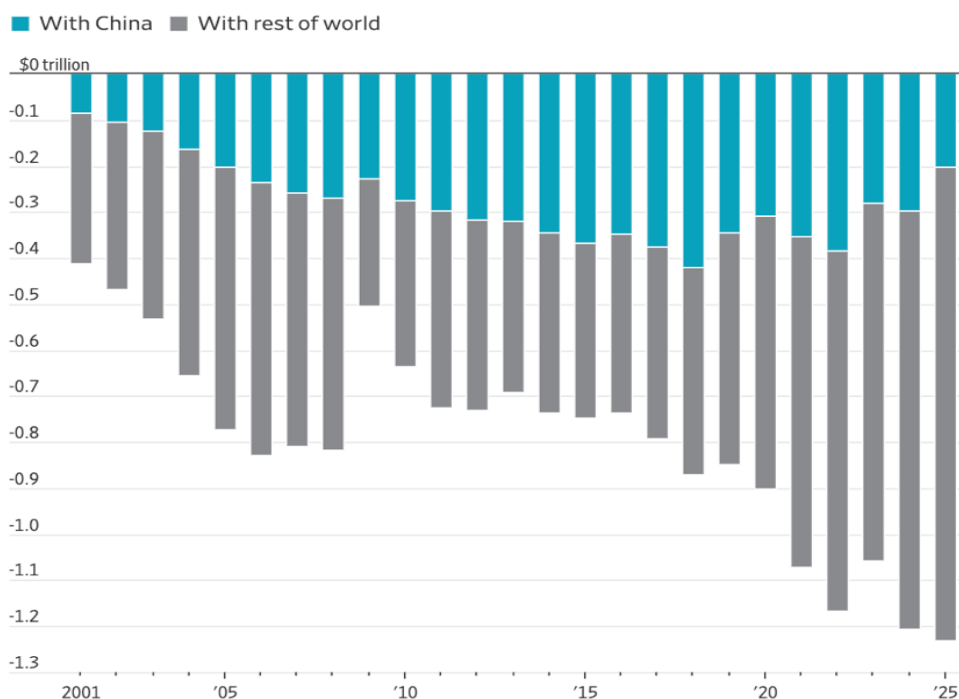
Recent engagements between the two sides reflect this dynamic. Following talks in Paris, both governments described discussions as [“candid” and “constructive,”](#) and agreed to maintain dialogue through existing consultation mechanisms. While officials pointed to limited areas of consensus, no major breakthroughs were achieved. Instead, the emphasis was on sustaining communication and managing disagreements.

US-China Trade: From Integration to Fragmentation

US-China trade has not collapsed, but it has been fundamentally restructured. While overall trade volumes remained robust in 2025, [bilateral flows between the two economies fell by roughly 30%](#), reflecting tariffs and rising geopolitical tensions. The decline has been sharp enough to push trade to levels not seen in decades: for every \$100 spent by US importers, only about \$9 now goes to Chinese goods, down from over \$20 in 2018 and the lowest share since China joined the WTO in 2001.

Rather than full decoupling, the adjustment has taken the form of diversion. The United States replaced roughly two-thirds of lost Chinese imports, valued at over \$80 billion, with alternative suppliers such as ASEAN, India, Mexico, and Vietnam. At the same time, China redirected exports toward Europe and emerging markets, often at lower prices, allowing it to offset losses in the US market and maintain external demand.

Figure 1: US Goods Trade Deficit



Source: Wall Street Journal

This shift has reshaped trade balances but not resolved underlying imbalances. The US goods trade deficit with [China shrank by 32% to \\$202 billion, the lowest since 2005](#), yet the overall US trade deficit increased by 2.1% to a record [\\$1.24 trillion](#), reflecting substitution rather than reindustrialization. Meanwhile, China expanded its global trade surplus to a record [\\$1.2 trillion](#), underscoring the persistence of its export-led model.

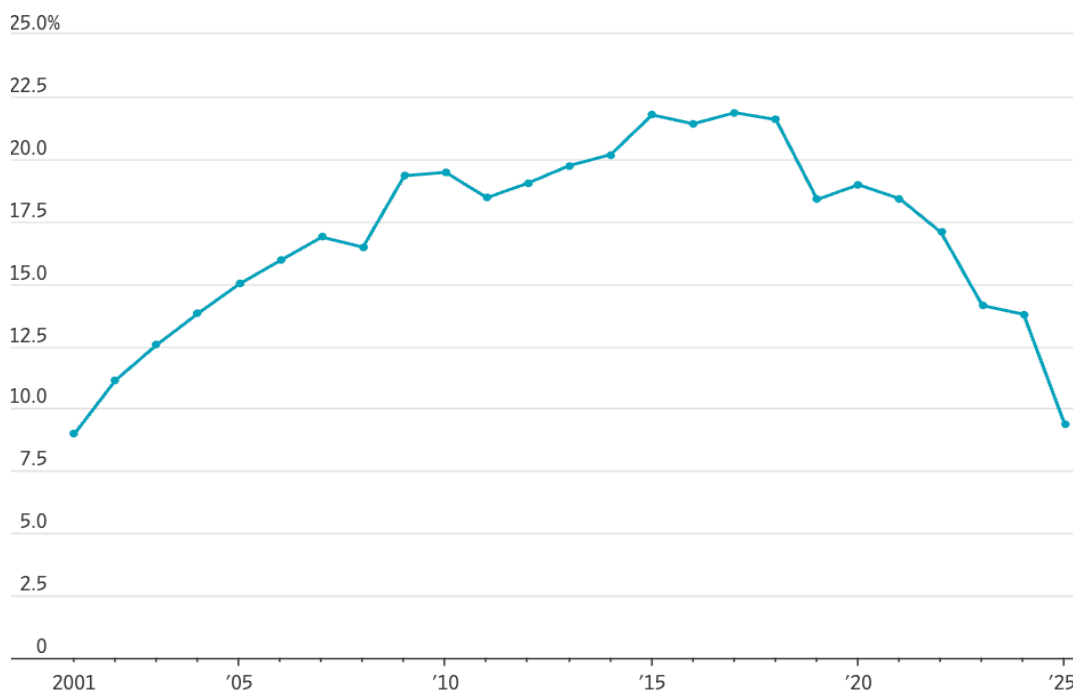
Crucially, while consumer goods supply chains have proven relatively easy to relocate, strategic dependencies remain far more rigid. China continues to dominate in areas such as rare earths, where export controls have already caused disruptions for US defense manufacturers and industrial firms. These trends have continued into 2026, with Chinese exports to the United States declining a further 11% year-on-year in the first two months of the year, even as tariffs remain elevated. Taken together, these dynamics point not to a clean break, but to a reconfiguration of interdependence, one that is more fragmented, politically shaped, and resistant to quick policy fixes.

China’s Trade Policy

A notable shift is emerging in China’s official discourse. Beijing increasingly acknowledges that the country’s long-standing export-led growth model is reaching its limits. The implication is clear: a move toward more balanced trade is no longer optional, but increasingly necessary. In practice, however, China has only a limited set of options to reduce its large trade surplus and each comes with significant trade-offs. One path would be to scale back production, which would directly reduce exports but also slow GDP growth, an outcome policymakers are reluctant to accept. Another would be to double down on investment, yet this risks exacerbating already high debt levels and excess capacity in sectors such as real estate and heavy industry.

The third option, boosting domestic consumption, is often presented as the preferred solution. But unless financed by even more debt, this would require a deeper structural shift: increasing household income and reducing China’s reliance on manufacturing. In effect, it would imply a gradual erosion of China’s dominance in global industrial production.

Figure 2: China’s Share of US Imports



Source: Wall Street Journal

Such adjustment is unlikely to be driven primarily by domestic policy choices. Instead, it is more likely to be shaped by external pressures, particularly how quickly other economies, especially the United States, move to protect domestic industries and reduce their own trade deficits. In this sense, China's transition toward a more balanced model is not simply a domestic economic challenge, but part of a broader global reconfiguration. The pace and direction of adjustment will be determined as much by geopolitical and trade dynamics as by internal reform efforts, further reinforcing the structural nature of current US, China tensions.

Managed Friction: Probes, Retaliation, and Dialogue

A fragile trade truce between the United States and China has held since late 2025, but tensions continue to simmer beneath the surface. Beijing has responded to renewed US pressure with a more calibrated but assertive approach, launching counter-investigations into American trade practices.

These probes focus on alleged disruptions to global supply chains and restrictions on green technology trade, including limits on Chinese exports, high-tech transfers, and bilateral investment. Framed as reciprocal responses to [US Section 301 investigations](#), they signal China's willingness to challenge what it views as unilateral and WTO-inconsistent measures, while stopping short of immediate escalation.

At the same time, both sides continue to engage diplomatically, with recent talks described as "constructive." This reflects a familiar pattern in US-China relations: ongoing dialogue coexisting with deepening structural tensions. Consultation mechanisms are increasingly used not to resolve disputes, but to manage them. This dynamic extends beyond bilateral trade. Recent US sanctions waivers on Venezuela, designed to reopen the country's energy and minerals sector while excluding actors such as China and Russia, highlight the broader use of economic policy as a geopolitical tool. These measures allow selective engagement with approved partners while limiting access for strategic rivals, effectively reshaping global supply chains through political criteria.

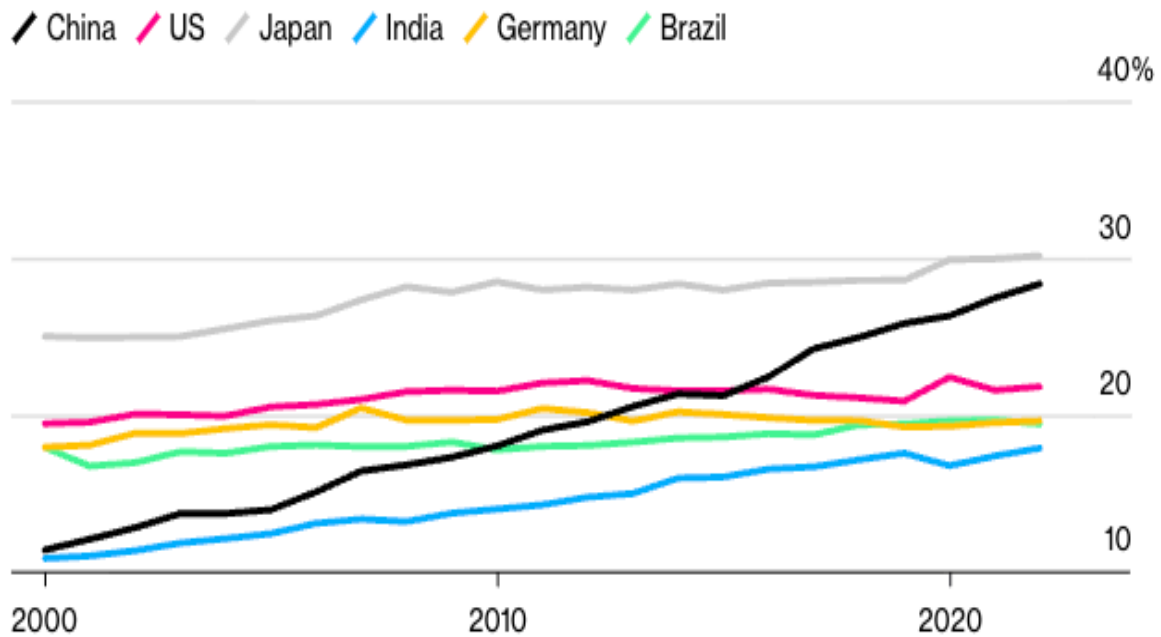
China's response underscores the same logic. Beijing has criticized such policies as discriminatory and called for the removal of unilateral sanctions, framing them as attempts to restrict legitimate economic cooperation. Taken together, these developments point to a wider shift: economic relations are no longer governed primarily by market forces, but increasingly by strategic competition.

Energy, Geopolitics, and Asymmetry

The broader geopolitical context further complicates the outlook. China appears relatively well insulated from energy shocks linked to the Middle East, reflecting years of strategic preparation. It holds the world's largest emergency oil reserves, estimated at around 1.3 billion barrels, and has diversified both its suppliers and transport routes, limiting direct exposure to disruptions in the Strait of Hormuz. China's push toward electrification, where electricity accounts for roughly 30% of energy consumption, significantly higher than in the United States or Europe, further reduces its vulnerability to oil price spikes. Combined with alternative supply channels from Russia and South America, this positions China to weather prolonged disruptions more effectively than many other economies.

This asymmetry matters. As geopolitical crises increasingly intersect with economic relations, they shape the relative resilience of major powers and influence the broader trajectory of global competition. From the US perspective, control over financial channels, sanctions regimes, and energy-related leverage remains central to its economic statecraft. However, recent developments suggest growing constraints on the effectiveness of these tools, as alternative trade and financial arrangements begin to emerge.

Figure 3: China's Rising Electrification Rate



Source: [IEA](#)

China, meanwhile, is not directly contesting this system through confrontation, but through gradual adaptation. The increasing use of the renminbi in energy transactions, alongside China's role as a major commodity importer and central node in global supply chains, points toward a slow evolution in the structure of the global economy. What emerges is not a clear transition from one system to another, but a more fragmented and multipolar landscape. Energy, finance, and trade are becoming more closely intertwined, reinforcing the structural nature of US-China competition and further limiting the scope for resolution through bilateral negotiations.