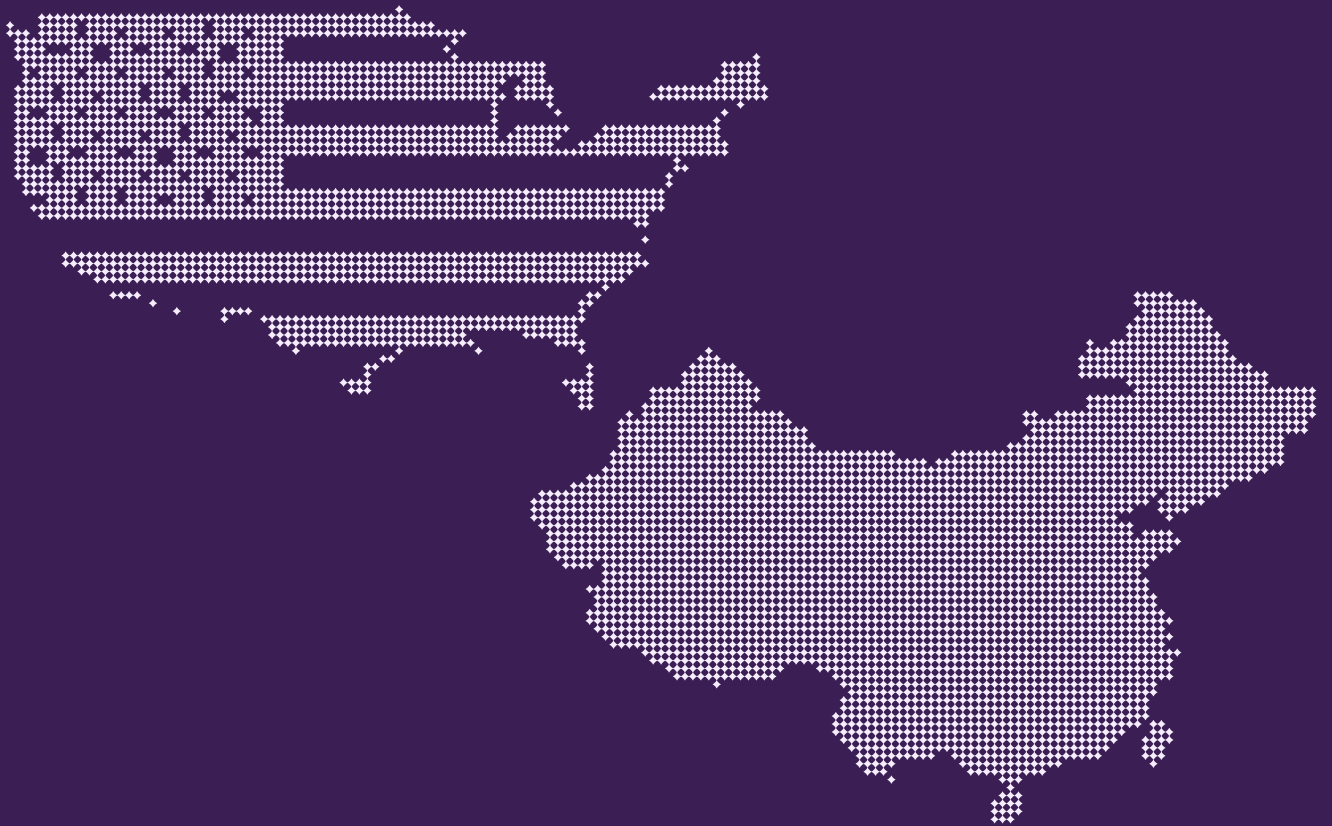


What is at
STAKE *with*
the TRUMP-XI
SUMMIT
in MID-MAY

23 April 2026



What is at STAKE with the TRUMP–XI summit in MID-MAY

Geopolitics today is increasingly shaped by the relationship between the US and China, the world's two largest economies. In many ways, this rivalry echoes the Cold War, when the US and the Soviet Union competed for global influence. The difference today is that the US and China are deeply economically intertwined, so any tensions are immediately felt by markets.

Recent events in the Middle East show that this rivalry now extends beyond trade or technology to securing energy resources. It can be argued that recent US military actions against Iran were about containing China. This dynamic began earlier in the year, when Washington effectively secured control over Venezuelan oil following the capture of President Maduro. Over the past decade, China has grown increasingly dependent on energy imports from politically fragile regions, with Iran and Venezuela together supplying around 17% of its total crude oil imports.¹ From the US perspective, influence over these energy routes translates directly into leverage over China.

Seen through this lens, US pressure on Iran is less about nuclear stockpiles than strategic positioning against China. Israel's priority may be nuclear containment, but America's broader objective appears to be balance-of-power management with Beijing.

Against this backdrop, the delayed Trump–Xi summit in Beijing on 14–15 May takes on added importance. This meeting is likely to shape US–China relations for the remainder of President Trump's second term, with a possible reciprocal visit by President Xi later in the year. The goal of this meeting is stability, not reconciliation.

There are five key points:

1. Rivalry between the US and China is now structural, spanning trade, technology, military power, ideology, and global influence. Both sides accept competition is permanent.
2. Each country has the ability to hurt the other, but at a cost. China could restrict exports of rare earths and silver or reduce purchases of US government debt, pushing US interest rates higher. Yet these steps would also damage China's own economy, especially while access to US consumers remains vital. The US, meanwhile, can tighten technology controls, expand sanctions, or reintroduce tariffs, though doing so would likely trigger retaliation, disrupt supply chains, and pressure earnings.

3. Diplomacy has shifted away from grand bargains to risk management. The priority is to avoid accidents and clarify red lines, particularly around Taiwan and US naval activity. Direct leader-to-leader communication is therefore critical. History offers a clear lesson: during the Hainan incident in 2001, a US spy plane accidentally collided with a Chinese fighter jet, and President George W. Bush was initially unable to reach President Jiang Zemin. The lack of immediate communication created fears that Beijing could interpret the incident as a deliberate act, raising the risk of escalation.

4. Rising war risk with Iran has created shared vulnerabilities. The US needs China's influence to limit escalation and preserve energy flows, while China seeks assurances that the US will not disrupt critical shipping lanes.

5. Success will look modest. Investors should not expect sweeping agreements. A "win" would mean no new tariffs or export controls, and perhaps small symbolic deals, such as agricultural purchases, aircraft orders, or signals on rare earths. These may seem minor, but stability at the margin matters.

Market risks

The biggest market risk emerges when either side believes it has gained the upper hand, often prompting countermeasures. Today, that risk is concentrated in the Middle East, where nearly half of China's oil imports pass through the Strait of Hormuz.²

In a rare public move, President Xi called for the Strait to remain open during a phone call with Saudi Crown Prince Mohammed bin Salman on 20 April, a clear signal that energy security has become a strategic red line for Beijing. History offers a sobering parallel. In the years leading up to Japan's attack on Pearl Harbor in December 1941, the US progressively restricted oil exports to Japan, cutting off access to a resource Tokyo viewed as vital to its survival. What began as economic pressure ultimately

contributed to military escalation and is a reminder of how attempts to control energy supply routes can sharply raise geopolitical risks.

The probable aim of the Trump–Xi summit is stability through managed tension. This approach helped prevent catastrophe during the Cold War. It may do so again. However, recent events in the Middle East mean markets must now price a higher level of geopolitical risk and remain alert to sudden geopolitical shifts.



Speak to us

Sources

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Authors:

Daniel Casali

For further information:

E: contact@evelyn.com | T: 020 3131 5203

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