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Viewsletter

Celebrating The Arsonist

The week of October 27, 2025, President Xi Jin Ping (习近平), of The People's Republic of China, agreed to meet President Donald John Trump, of The United States of America, for the first time that the two Presidents had met, face-to-face, after six years.

With regard of President Xi Jin Ping, he had had, seemingly, to put up with a very problematic President Donald John Trump, which could only be described as being '*a pain in the arse.*'

But, by the close of the week of October 31, 2025, the two Presidents had agreed in respect of a number of '*bilateral relationships by avoiding further actions by both countries that could have escalated tensions.*'

Who was the winner and who was the loser, was questionable.

Initially, the two countries were '*threatening actions*' that could have been a situation akin to an arsonist, calling for the fire department,

Be that as it be, both Presidents, eventually, determined to let bygones be bygones – and they shook hands for the world to take stock of the situation.

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Doctor Michael Braverman Goodman Froman, the President, Council on Foreign Relations, determined the following:

'This week, President Donald Trump held his first face-to-face meeting with President Xi Jinping in six years. Trump proclaimed that, "On the scale from 0 to 10, with 10 being the best, I would say the meeting was a 12." In my view, rating the deal struck in South Korea so highly is akin to celebrating the arsonist for calling the fire department.

'As the dust begins to settle and more details emerge, it's becoming clear that with respect to Trump's hot-button China issues—trade, export controls, fentanyl, TikTok, and the like—we have emerged from Busan in more or less the same place. Both countries were threatening actions that would have burned down the bilateral relationship and stepped back from the brink before dropping the match. OK. Enough of that analogy.

'On a positive note, from a diplomatic perspective, the meeting helped to stabilize the bilateral relationship by avoiding further actions by both countries that would have escalated tensions. These included implementation of additional 100 percent tariffs on Chinese exports slated to take effect on November 1 and an agreement to delay for one year China's broad-based export control regime on rare earths and associated products which, if enacted, could have upended global supply chains.

'There were other aspects of the deal. China promised (again) to reduce exports of precursor chemicals used to produce fentanyl, which is thought to be responsible for the deaths of nearly fifty thousand Americans in 2024, and the United States agreed to cut in half (from 20 percent to 10 percent) the tariffs on Chinese exports imposed because of its exports on precursor chemicals. So, tariffs worked as a source of leverage on what is fundamentally an important but non-economic issue, provided that China actually adheres to the agreement this time. If not, I imagine those tariffs might go back up.

'In addition, China agreed to buy U.S. soybeans again—not in the amounts that it once did—but still a significant amount. Under the new agreement, the United States will export 12 million metric tons of soybeans this season and at least 25 million metric tons annually for the next three years. In 2020, China purchased 34 million metric tons. That will potentially help American farmers, assuming they can edge out China's other suppliers (primarily Argentina and Brazil) and reestablish their distribution channels.

'And the two leaders agreed to work toward a solution on TikTok, the resolution of which had already been announced at least twice before.

'There are other elements of the deal, including China's intention to buy some other agricultural commodities and potentially natural gas. The United States in turn agreed to eliminate a port fee on Chinese ships.

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'I don't mean to minimize the deal, but since when did the relationship between the world's two largest economies boil down to an illegal drug, a handful of commodity exports, and a social media platform? Fentanyl is a serious scourge on American society, American farmers will be relieved to see the opportunity to get higher prices for their soybeans, and American teenagers will be delighted to continue to share silly dance videos. But it's also noteworthy what we are not talking about.

'Gone are the days when the agenda was about China's broad strategy of protecting its domestic industry, stealing intellectual property, subsidizing excess capacity, and driving a predatory export strategy that came at the expense of manufacturing in other countries. Gone are the discussions of the need for China to engage in the domestic reforms necessary to rebalance their economy, promote domestic demand-led versus export-led growth, and play a more constructive role in the global economy.

'On account of centrally planned schemes to boost domestic investment and savings, which channel capital into export-dependent manufacturing activity, China's domestic consumption sits at a meager 39 percent of GDP. (Most high-income countries boast domestic consumption around 58 percent of GDP.) Without a substantial rebalancing, we should not expect China's global trade surplus to budge much. Indeed, Xi doubled down on export-led growth in the Chinese Communist Party's draft 15th Five-Year Plan (unveiled earlier this week), and there are no signs of consumption-oriented reform anytime soon. Instead, Xi told the Communist Party's Central Committee in early October that China must "seize the window of opportunity to consolidate and expand our strengths, break past bottlenecks and surmount weaknesses, to gain the strategic initiative in intense international competition."

'But without addressing these underlying dynamics, there is a real risk that arguably the most important bilateral relationship in the world will remain vulnerable to cycles of conflict escalation and de-escalation and the instability that comes from that.

'One of the more troubling parts of the deal is the U.S. agreement to liberalize its export control rules precisely at a time when we have increased concerns about military competition and competition in advanced technologies. China has long wanted to put export controls on the negotiating table, but they have traditionally been kept separate from trade talks because they are intended to be used sparingly to prevent the most critical technologies from falling into the hands of our competitors or adversaries. They are supposed to be driven by national security, not commercial concerns.

'The Trump administration has very much blurred that distinction. In August, it agreed to decontrol the export of Nvidia's H20 chips to China—and to take a 15 percent revenue share in those sales. There are well substantiated rumors that certain currently restricted American GPUs will also be made available, in limited quantities, for export to China. In contrast to the Biden administration's "small yard, high fence" export control policy, the Trump administration seems to be floating a trial-balloon strategy aimed at maintaining the market share of U.S. semiconductor in the domestic Chinese market—in the hope that allowing some chips to flow will keep Chinese firms "addicted" to U.S. chips, allowing us to maintain some degree of leverage over their artificial intelligence stack. But in the long run, China appears to be hell-bent on achieving semiconductor self-sufficiency.

'So where is the U.S.–China economic relationship headed?

'Some say Trump is a China hawk. Others say that he is a dove. But, as is often the case, Trump's policy instincts might be difficult to stuff into neatly defined categories. The Busan meeting makes clear that the president is not particularly doctrinal with respect to China; rather, he is aggressively pragmatic. As a result, the outcome might reflect the relative leverage each country has at the time.'

'When it comes to leverage, Trump is betting that China needs the U.S. market more than the United States needs China. That's a thorny proposition. China's goods exports to the United States have fallen some 20 percent relative to last year, but its trade surplus with the world is still on track to exceed \$1.2 trillion this year. While the United States might succeed in keeping out some Chinese exports at the cost of higher prices for import-reliant American consumers and manufacturers, China is already finding other markets for its products and reducing its reliance on American imports, from crops to energy to semiconductors. In the meantime, China has discovered it has real leverage over the United States through the chokehold it enjoys over the supply of critical minerals (and potentially other products, such as batteries) — many of which might take years, if not longer for the U.S. to replace.'

'Ultimately, Trump will have to decide whether the U.S. can achieve its objectives through a series of tactical moves or whether stability in the relationship requires a more fundamental strategic shift. For decades, U.S. policymakers have depleted billions of brain cells and lots of political capital trying to influence Chinese behavior with only modest results. We should not necessarily give up, as ultimately, only a change in that behavior will stabilize the bilateral relationship. But the United States needs to focus even more on what it can control, on how to outcompete—by building at home and forming economic and military coalitions with our allies and partners to deter and outpace China. Meanwhile, Beijing's strategy will continue to be one of patient pressure: pressure to establish a new understanding in the Taiwan Strait, pressure to relax export controls on American chokepoint technologies, and pressure to accept some degree of Chinese primacy in the Indo-Pacific, among other aims. They are hoping we blink.'

'The biggest blink of all would be to mistake dealmaking, and the pursuit of a "grand bargain," for a sound grand strategy. The risk of seeking a "new deal" with China is that we trade away strategic interests, such as Taiwan, for ephemeral Chinese promises and short-term surges in commodity exports. Core interests are never on the table—and our core interests are, in many respects, deeply misaligned with Beijing's.'

'The Communist Party under Xi's leadership has charted a divergent, revisionist course—often at odds with American interests. So be it. China is a sovereign country with unbridled ambition, and we may well be able to coexist without resorting to capitulation or kinetic conflict. A winning American strategy demands acknowledging the stark limitations of our ability to influence China's behavior, defining a space in which we can coexist with China, all the while competing successfully within the structural bounds of great-power relations.'

The Securities and Futures Commission Determines Another Ban

The Securities and Futures Commission (證券及期貨事務監察委員會) (SFC) has banned Mr Cheng Lai Ho (鄭禮豪), a former relevant individual of The Bank of Communications Company Ltd (交通銀行股份有限公司) and Bank of Communications (Hongkong) Ltd (交通銀行[香港]有限公司) (collectively, **BOCOM**) from

re-entering the industry for seven months from October 27, 2025, to May 26, 2026:

'The Securities and Futures Commission (SFC) has prohibited Mr Cheng Lai Ho, a former relevant individual of Bank of Communications Co., Ltd. and Bank of Communications (Hong Kong) Limited (collectively, BOCOM), from re-entering the industry for seven months from 27 October 2025 to 26 May 2026 (Note 1).

'The disciplinary action follows an SFC investigation which found that, between April 2017 and April 2022, Cheng failed to disclose to BOCOM the existence of multiple personal securities trading accounts that he held in his name at other financial institutions (Note 2).

'The SFC also found that between August 2017 and April 2022, Cheng opened and maintained a securities margin account at an external brokerage firm in the name of his mother and conducted over 260 personal trades through the account. In this connection, he did not disclose to BOCOM his personal interest in the account, report his personal trades, provide the relevant statements of account to BOCOM, and hold the shares in the account for the minimum holding period required by BOCOM before selling them.

'During the material time, Cheng further falsely declared to BOCOM on eight occasions that he had complied with the firm's staff dealing policy.

'Cheng's conduct circumvented BOCOM's internal control under its staff dealing policy and prevented BOCOM from monitoring his personal trading activities.

'The SFC considers that Cheng's concealment of his mother's account and his trading activities in it to be wilful and dishonest, and his failure to disclose his pre-existing personal securities trading accounts to BOCOM casts doubt on his reliability and ability to carry on regulated activities competently. All things considered, Cheng's conduct calls into question his fitness and properness to be a regulated person.

'In determining the sanction against Cheng, the SFC has taken into account all relevant circumstances, including his violations lasted over five years, his cooperation in resolving the SFC's concerns, and his otherwise clean disciplinary record.

'End

'Notes:

- '1. Cheng was a relevant individual engaged by Bank of Communications Co., Ltd. to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (SFO) between 7 April 2017 and 28 January 2018, and Bank of Communications (Hong Kong) Limited to carry on Type 1 and Type 4 regulated activities under the SFO between 22 January 2018 and 29 April 2022. Cheng is currently not registered with the Hong Kong Monetary Authority or licensed by the SFC.*
- '2. No transactions were conducted in these accounts opened in Cheng's name at other financial institutions during the course of Cheng's employment with BOCOM. Cheng only disclosed two of these accounts to BOCOM on 10 April 2022, shortly before he left BOCOM.'*