

China and U.S. move closer to easing trade tariffs

Expectations are growing that China and the United States could soon announce a de-escalation in trade tensions, possibly with tariff levels reduced below those set in May. Reports from high-level meetings in Malaysia over the weekend indicate progress between the two sides, ahead of a planned meeting between Presidents Trump and Xi in South Korea.



Observers expect that the talks could lead to an extension of the tariff framework established under the May truce, or potentially a lower U.S. baseline for duties on Chinese imports if fentanyl-related tariffs are revised. A review of recently introduced port call fees is also reportedly under consideration.

During President Trump's visit to Asia, the U.S. announced trade agreements with Malaysia and Cambodia, and frameworks for deals with Vietnam and Thailand. These arrangements include an approximate 20% U.S. tariff baseline on exports from these countries, with targeted reductions or exemptions tied to reciprocal commitments for U.S. exports and investment. The president also halted negotiations with Canada and announced plans to increase tariffs on Canadian exports by 10%.

In ocean freight, the new U.S. Trade Representative (USTR) port call fees could have cost Chinese container vessels an estimated US\$42 million last week to dock at U.S. ports. While there have been few confirmed reports of disruptions for U.S. container ships in China, docking fees for American vessels are reportedly resulting in bulk ships waiting offshore, possibly in anticipation of a rule change.

Container freight rates have remained stable despite limited cargo demand. East-West trade lanes retained mid-October rate increases supported by higher levels of blank sailings. Transpacific and Asia–Northern Europe rates rose by 15% to 20% last week, reaching about US\$2,000 per forty-foot equivalent unit (FEU) to the U.S. West Coast, US\$3,500/FEU to the East Coast, and US\$2,270/FEU to Europe. Prices have remained steady this week, with Asia-Mediterranean routes easing by about US\$100/FEU.

These levels bring rates back to those recorded in mid-September, when earlier general rate increases (GRIs) briefly lifted prices. Current prices remain above October 2023

levels after nearing parity with pre-Red Sea crisis rates earlier this month. Some carriers are expected to introduce new GRIs in early November, depending on capacity management.

In air freight, the China–U.S. Freightos Air Index has risen 10% over the past two weeks to US\$5.64 per kilogram, the highest sustained level since March. Analysts attribute this to President Trump's 100% tariff threat announced for November 1. South East Asia–North America air cargo rates increased 3% to US\$5.14/kg, while transatlantic rates rose 9% to US\$1.85/kg, their highest since June. China–Europe prices increased 7% over the past month to around US\$4.00/kg, and South East Asia–Europe rates climbed 13% to US\$3.55/kg.

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