

Vital Briefing—Tariff Insights

China, U.S. trade tensions ease; tariff truce continues

By Thomas Thompson

Senior trade negotiators from China and the United States struck a deal this week avoiding escalation of their trade war; framework agreement provides each country access to the other's critical exports.

The deal that resulted from two days of negotiations in London returns the two countries to a status quo that has existed since May. Few details about the substance of the discussions or what was agreed have been provided by the parties involved.

Leading up to the hastily arranged meetings on June 9 and 10, relations between the two economic powerhouses had been sliding out of control. Despite agreeing to freezing tariffs at levels off their peaks, China was slowing the export of certain critical minerals. The United States, for its part, was adding to its list of embargoed high-tech products as well as moving to cancel visas for Chinese students.

The high-level negotiation that resulted in Tuesday's deal followed quickly on the heels of a June 5 telephone call between President Donald Trump and China's President Xi Jinping. Initiated by Trump, the call was intended to staunch escalating claims of bad faith by each side.

China de-escalation. When Trump and Xi spoke, it was their first conversation since the start of Trump's second term. Prior to the call the two countries been trading accusations about compliance with the terms of the May 12 agreement. In addition

to lowering tariff levels, the agreement kicked off a 90-day truce in their dueling tariff escalations.

After his conversation with Xi, Trump said on Truth Social, "There should no longer be any questions respecting the complexity of Rare Earth products."

Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick met with Chinese Vice-Premier He Lifeng and Li Chenggang, the top Chinese negotiator, for 20 hours over two days. Shortly after discussions concluded, Lutnick announced, "We have reached a framework to implement the Geneva consensus," referring to the May 12 agreement.

In remarks to reporters in London after the meetings, Chinese negotiator Li Chenggang told reporters that the negotiations had been "in-depth and candid."

According to statements to the press by the negotiators from both countries, current tariff levels are not affected by the framework agreement.

Leverage concerns. In light of Administration statements about loosening export controls and with few details known about what was agreed during the 20 hours of discussions, concern is percolating in the press that the United States may be trading away some of its ability to control exports of products and technology with military and security applications.

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According to a [post](#) on LinkedIn by former U.S. trade negotiator, Wendy Cutler, "Let's be clear. If we end up relaxing our high-tech export controls in talks with China this week, that would be unprecedented. China has been requesting this for twenty years or so and we have rejected these requests seamlessly in both Republican and Democratic administrations." Cutler is the Vice President of the Asia Society Policy Institute.

On Wednesday Secretary Bessent told a U.S. Senate appropriations subcommittee, "There is no quid pro quo in terms of chips for rare earths."

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The Wall Street Journal on Wednesday reported China is putting a six-month limit on rare earth metal export licenses to U.S. car makers, providing the country with longer term leverage.

Moving forward. As originally agreed on May 12, the status quo is set to be reviewed on August 10. Currently, China assesses a ten percent tax on all U.S. imports. The U.S. levies on Chinese imports remain at 55 percent, the “Liberation Day” (April 2) levels.

At this point, one third of the 90-day truce has lapsed. According to press reports, no further meetings between the two countries have been scheduled.

On the other hand, Vice Premier He Lifeng called on both countries, after the London meetings, to leverage the newly agreed framework to “improve consensus, reduce misunderstanding and strengthen cooperation,” as reported by state broadcaster China Central Television. Outstanding non-tariff issues include excess capacity utilization, subsidies, unfair trade practices and control of fentanyl production and distribution.

Absent a trade agreement between China and the United States in the meantime, tariff levels are set to return to 145 percent on the U.S. side and 125 percent on the Chinese side on August 11, the levels that had roiled the markets in May.