Behind US-China Trade Truce: Tariffs, Agriculture & Rare Earths in Play

August 13, 2025 • vajiramandravi.com

US-China Trade Truce Latest News

- US President Donald Trump has extended his trade truce with China until November 10, 2025, delaying the imposition of a 145% tariff on Chinese goods and maintaining it at 30% as per a previous order.
- This pause follows Beijing's countermeasures, which included initially imposing a 125% tariff on US imports (later reduced to 10%) and restricting exports of rare-earth metals crucial for US industries like automotive, aerospace, defence, and semiconductors.
- China has also leveraged its agricultural imports, drastically reducing purchases of US farm produce — from $13.1 billion in January–June 2024 to $6.4 billion in the same period of 2025, continuing a multi-year decline from a peak of $40.7 billion in 2022.

Background to the Extension

- The United States and China have agreed to prolong their trade truce for another 90 days, just hours before mutual tariff hikes were set to take effect.
- This pause kept US tariffs on Chinese imports at 30%, while China maintained a 10% duty on US goods.
- Earlier in the year, both sides had threatened triple-digit tariffs, with Washington planning levies up to 145% and Beijing up to 125%, before scaling back during May talks in Geneva.

Objectives of the Extension

- According to the White House, the delay allows more time to address trade imbalances, unfair trade practices, and national security issues.
- The US cited a $300 billion trade deficit with China in 2024.
- Negotiations will focus on increasing market access for US exporters, lifting trade restrictions, and stabilising the global semiconductor supply chain.

Key Trade Issues

- Ongoing discussions cover **access to China's rare earths, purchases of Russian oil, and US technology export curbs**.
- Recently, Trump allowed companies like AMD and Nvidia to resume certain chip sales to China in exchange for 15% of revenues — a move criticised as a "shakedown."
- Additionally, the US is pressing for TikTok's separation from Chinese parent ByteDance, a step opposed by Beijing.

China's Agricultural Import Leverage in US-China Trade Dispute

- China has strategically slashed its agricultural imports from the US, especially soyabeans, which fell to just $2.5 billion in January–June 2025 from $17.9 billion in 2022.
- Other US exports hit include corn, barley, cotton, beef, pork, poultry, tree nuts, and forest products.
- As the world's top importer of key agri-commodities, China now sources much of its soyabean, barley, and corn from Brazil, Argentina, Canada, and others, bypassing US suppliers.
- This shift impacts American farmers across the "corn belt" and livestock producers in states like Texas, Oklahoma, and California.
- Alongside its **dominance in rare-earth elements**, **China's buying power in the global agri-market** is a potent tool to pressure the US administration into maintaining trade talks and avoiding tariff escalation.

India–US Agricultural Trade Surges Amid US–China Decline

- While US farm exports to China plunged 51.3% in January–June 2025 compared to the same period in 2024, shipments to India rose by 49.1%.
- Bilateral agricultural trade between India and the US is thriving, with **US exports to India expected to exceed $3.5 billion and Indian exports to the US likely to top $7.5 billion this year**.
- India has overtaken China as the largest market for US tree nuts, importing over $1.1 billion worth in 2024 and $759.6 million in just the first half of 2025.

- The US also holds a 35% share in India's seafood exports, especially frozen shrimps and prawns worth $1.9 billion in 2024–25.
- Despite this robust exchange, the Trump administration has doubled tariffs on Indian imports to 50% from August 27, including a 25% penalty for purchasing Russian oil — a move not applied to China despite similar purchases.

Source: TH | BBC
