



U.S. and China likely to extend trade truce to delay sky-high tariffs

The United States and China are set to begin their third round of trade talks in as many months on Monday, their latest bid to tamp down a tariff war that risks upending global supply chains and further straining relations between the world's two largest economic powers.

The two-day talks, headed by Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng, are taking place in Stockholm and come ahead of the Aug. 12 deadline for both countries to make progress toward a deal or return to astronomically high tariffs.

"We'll be working out what is likely an extension," Bessent said last week, to the 90-day trade truce, agreed on during talks in mid-May.

At the time of that truce, Washington had imposed a minimum tariff of 145 percent on Chinese goods, and Beijing retaliated with levies of at least 125 percent. In Geneva, they agreed to reduce their tariffs while they held further talks: The Trump administration cut its minimum levies on Chinese goods to 30 percent, and Beijing reduced its blanket tariffs on American products to 10 percent.

China is walking into the latest round of talks with significant leverage, some analysts say.

"China's confidence has notably increased," said Zhao Minghao, deputy director of the Center for American Studies at Fudan University in Shanghai. "This is reflected in how China is responding to the current round of negotiations — it is not following the rhythm or framework set by the Trump administration," he said.

China's economy has fared better than expected this year, with growth of 5.3 percent in the first half of 2025, according to recent government statistics, and exports finding markets outside the United States.

Meanwhile, China's control over rare earths — which the United States needs for military equipment, consumer electronics and other critical goods — has given it an upper hand in negotiations, experts said.

China accounts for 70 percent of the world's rare-earth mining and, more important, more than 90 percent of the processing.

It has used this dominance as a bargaining chip in the trade talks, imposing a new set of export restrictions in April on rare earths, a group of 17 metals used in a wide array of products in the defense, health care and technology sectors.

Those restrictions led to widespread concern across the Trump administration and key parts of the U.S. economy, causing Washington to soften its tone. In late June, Beijing agreed to loosen export restrictions and approve permits for rare-earth elements and rare-earth magnets.

This month, Washington reversed course and said it would allow Nvidia to sell its H20 artificial intelligence chips to China after banning their sale in April.

In recent weeks, the U.S. has also softened its tone toward Beijing. Bessent told Fox Business last week that "trade is at a good place with China" and that talks are "constructive."

"We'll be talking about a lot of other things our countries can do together," he said. However, Bessent also noted a significant point of contention for Washington and



Beijing: China's support for Russia and its war against Ukraine.

This week's talks come amid a flurry of other deals that President Donald Trump has hailed in recent days, with most other countries in the president's firing line facing an Aug. 1 deadline.

The U.S. and E.U. said Sunday that they had agreed to the contours of a trade deal, and Trump touted renegotiated deals with Japan, Vietnam, the Philippines and Indonesia this month, although few details have been released.

The E.U. and Japan agreed to 15 percent tariffs on their products — down from Trump's threatened 30 and 25 percent, respectively — while Vietnam settled on 20 percent and Indonesia and the Philippines 19 percent.

Gary Ng, a senior Asia Pacific economist for Natixis, an investment bank, said Beijing seems ready to accept higher U.S. tariffs than those imposed on other countries in Asia but would like to see "more certainty" that the U.S. would ease some restrictions on semiconductor chip exports to China.

In return, he said the United States "will be looking for some action or commitment from China in helping to solve the whole issue of fentanyl" and will also want to push more U.S. products into China to address the whopping trade deficit.

