

Framework deal to maintain US-China trade truce

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Top-level trade talks between the US and China being held in London ended late yesterday with the announcement that a “framework” deal had been reached to restore a truce in the trade war.

The agreement was reached after two days of intensive talks. No details were given.

The US team, which was led by Treasury Secretary Scott Bessent and included Commerce Secretary Howard Lutnick and Trade Representative Jamieson Greer, is returning to Washington to present the deal to US president Trump.

China’s Vice Minister of Commerce Li Chenggang described the talks as “rational, in-depth and candid” and that the two sides had agreed to implement the consensus reached in Geneva last month.

But the fact they went deep into the second day indicated there were major sticking points.

The London talks were organised after a one-and-a-half-hour phone conversation between US President Trump and China’s President Xi Jinping last week.

The phone call, initiated by Washington, was held as it became clear that the “truce” agreed to in Geneva last month was about to break down with both sides denouncing the other for not carrying out the agreement. The US accused China of a slow rollout of rare earths while Beijing pointed to the imposition of additional high-tech controls and threats to exclude Chinese students.

Before getting underway the head of the White House’s National Economic Council Kevin Hassett indicated the talks would centre on the issue of US high-tech bans on China and the supply of rare earth minerals to the US.

He told the US business channel CNBC at the weekend that “after the handshake ... export controls from the US will be eased and the rare earths will be

released in volume.”

But Hassett made clear that the “very, very high-end Nvidia stuff is not what I’m talking about.”

Nvidia is the world’s leading manufacturer of the most advanced chips used in the development of artificial intelligence. Hassett indicated that there could be a loosening of controls on less advanced semi-conductors which were “very important” for China.

During the talks there was virtually no news on their content apart from limited comments by Lutnick and Bessent. Lutnick said at the start of the yesterday’s second round that they were “going well.”

At the end of the day, Bessent returned to Washington to testify before Congress. “We’ve had two days of productive talks, they are ongoing” he told reporters. The discussions would continue between Lutnick and Greer and their Chinese counterparts “as needed.”

It appears they centred on what bans on semiconductors from the US would be lifted in return for an increased supply of rare earths.

Any concession on this score, when the framework is announced, provided Trump agrees with it, would represent a blow to the US. Its key objective is to crush China’s technological development which is regarded in all sections of the American political and military establishment as being central to the maintenance of US global dominance.

“A US decision to roll back some portion of the technology controls would very much be viewed as a win by China,” Dexter Roberts of the Atlantic Council’s Global China Hub told Bloomberg. The possibility of unwinding “any controls” had seemed “pretty much unthinkable” until recently.

The measures instigated by the US have certainly impacted China, but as is widely acknowledged they

have not stopped its high-tech development.

As a recent article in the *New York Times* noted: “The US has tried almost everything to win the tech race against China—across areas as varied as AI, energy, autonomous vehicles, drones and EVs. So far, none of it has worked.”

No doubt with an eye on the profits to be made in China, Jensen Huang, the head of Nvidia which is at the centre of the bans, called into question their efficacy during an earnings call last month.

“Shielding Chinese chip makers from US competition only strengthens them abroad and weakens America’s position. Export restrictions have spurred China’s innovation and scale.”

If China has forced some concessions, it will be due to the stranglehold it has on critical minerals.

There have been concerns expressed that unless their supply is increased, sections of US industry, especially auto production, could start coming to a halt.

China has a near monopoly on the processing and manufacture of rare earths needed in the production of magnets which can function at high temperatures. Auto producers have warned they could run out of supplies in a matter of days or weeks.

The magnets are used in the electric motors that run brakes, steering and fuel injectors. According to a recent article by *New York Times* Beijing correspondent Keith Bradsher, who has made a study of rare earths for more than a decade: “The motors in a luxury car ... use as many as 13 magnets. Factory robots depend on rare earth magnets too.”

The problem with the supply of rare earths, which are also vital in semi-conductor production, is not so much finding them but in extracting and processing them. They are bound together chemically in the raw minerals and can require a sequence of possibly more than 100 processes using strong acids. China refines more than 99 percent of heavy rare earths, the least common.

“Processing rare earths is technically demanding,” Bradsher wrote, “but China has developed new processes. Rare earth chemistry programs are offered in 39 universities across the country, while the United States has no similar programs.”

In an article published this week, he drew attention to another rare earth, samarium, which is used almost entirely in military applications to make magnets that can stand temperatures high enough to melt lead

without losing their magnetic force. Other rare earths can withstand the heat of a petrol engine but not the greater heat in a military application.

“The main American user of samarium is Lockheed Martin,” Bradsher wrote, “an aerospace and military contractor that puts about 50 pounds of samarium magnets in each F-35 fighter jet.”

While China eased some of the controls on rare earths, there had been no sign of the loosening of restrictions on the supply of samarium. The rare-earth Mountain Pass mine in California, which has a history of opening and closing, attempted to produce samarium when it reopened in 2014. But it closed again a year later when it could not compete with China—a problem for many sections of US industry.

If the US has been forced to make concessions to China in the London talks, it will not mean any lessening of its economic war against Beijing. Whatever tactical shifts it may be forced to make, the guiding strategy of suppressing China remains and the increasing failure of economic measures to achieve this goal, means military measures will be intensified.

The economic war is thus intimately connected to the ongoing coup by the Trump administration to establish a fascist presidential dictatorship—war against the geo-political and geo-economic rivals of US imperialism requires the abolition of democratic rights at home.



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