

Trump extends China tariff war truce

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US president Trump has agreed to a further 90-day extension of the tariff war truce with China on the eve of the expiration of an agreement reached in May to pull back on the imposition of a 145 percent tariff against China by the US.

US tariffs will remain at 30 percent together with a 10 percent tariff levied by China on US goods.

The truce, which was set up by a meeting between US treasury secretary Scott Bessent with top Chinese officials in Stockholm last month, was subject to Trump's approval. That came with an executive order signed yesterday hours before the previous deal was due to expire.

Had the truce not been extended, there were fears that the financial market turmoil, which accompanied the major escalation of tariffs against China on April 2 and in subsequent days, would have returned.

The initial truce in May was agreed to by the US after China retaliated with export controls on rare earths and rare earth magnets, hitting the defence industry and major auto manufacturers who reported they were rapidly running out of supplies.

Its extension is linked to an extraordinary decision by the Trump administration to allow the export by Nvidia and Advanced Micro Devices (AMD) of high-end computer chips used in the development of artificial intelligence to China.

Under the deal, Nvidia and AMD will give the US government 15 percent of all revenues from chip sales to China in return for being granted export licences. According to the *Financial Times* (FT), the commerce department began issuing the licences last Friday following a meeting two days before between Trump and Nvidia chief Jensen Huang.

The FT noted that the quid pro quo arrangement was "unprecedented," explaining: "According to export control experts, no US company has ever agreed to pay a portion of their revenues to obtain export licences."

Allowing chip sales to China is a reversal of a decision by Trump in April when he banned the export of Nvidia's H20 chip. Apparently Huang persuaded Trump, however, that the ban would only hurt US companies in the development of AI technology. The Chinese tech and communications giant Huawei would come to dominate the sales of AI chips in China and would use the money it obtained to close the gap with Nvidia.

The US AI industry was shocked in January when the Chinese company DeepSeek launched an AI application that was near equivalent to those in the US such as ChatGPT, but at much less the cost.

In a podcast last month, Huang said: "The American [AI] stack should be the global standard, just as the American dollar is the standard by which every country builds on."

The decision to lift the ban on the export of the H20 chip has set off a storm in US military-intelligence circles. Last month, Matt Pottinger, the deputy national security adviser in the first Trump administration, and 19 other security experts wrote a letter to commerce secretary Howard Lutnick opposing any decision to allow H20 export licences.

They said it was a "strategic misstep that endangers the United States' economic and military edge in artificial intelligence" and that the H20 would be a "potent accelerator of China's frontier AI capabilities, not an outdated chip."

In a statement on Saturday, Nvidia replied saying the claims were "misguided" and rejected the suggestion that China could use the H20 chip for military purposes.

"While we haven't shipped H20 to China for months, we hope export control rules will let America compete in China and worldwide, America cannot repeat 5G and lose telecommunication leadership. America's AI stack can be the world's standard if we race."

But these assertions have not quietened the critics.

According to Liza Tobin, who served on the National Security Council in the first Trump administration: “We may look back on this as the moment America voluntarily chose to subsidise our own strategic decline—handing Beijing the very AI chips that gave us our edge in the most consequential technology race of our time.”

She said Beijing would be “gloating” to see Washington turn export licences into revenue streams. “What’s next— letting Lockheed Martin sell F-35s to China for a 15 percent commission?”

The Democrats have also weighed in, denouncing the Trump decision as undermining US national security and a “dangerous misuse of export controls.”

“This arrangement raises critical questions the administration must answer immediately, including what legal authority it has for extracting revenue-sharing as a condition for export licences.”

The Trump decision, part of the extension of the truce, has revealed the deep divisions within the US ruling class over what all sections regard as the existential threat to US global dominance—the economic and technological rise of China.

Some of the differences have been articulated by the *Wall Street Journal*, which has denounced Trump’s tariff war against the world as cutting across the formation of a bloc of US allies to deal with Beijing.

The Trump administration for its part has made it clear it regards China as main threat. Last week in a comment in the *New York Times* outlining the Trump agenda for a new global order, the US Trade Representative Jamieson Greer claimed that the “biggest winner” of the post-war system had been China.

As his April 2 measures and subsequent tariff hikes indicated, Trump tried to make a frontal assault. But he discovered that Beijing was not prepared to capitulate and had a formidable weapon in its hands in the form of its near-monopoly of rare earths which are vital for key industries.

The threat of their restriction continues to hang over the US. Flows of rare earth magnets from China to the US rose to 353 tons in June, up from only 46 tons in May after the announcement of the first truce. But the shipments are still well below the level they were before Beijing’s imposition of export controls.

In June, Reuters reported that Beijing had “not committed to grant export clearance for some specialised rare earth magnets” needed for fighter jets and missile systems. Earlier this month the *Wall Street Journal* reported that China was limiting the flow of critical minerals to defence manufacturers forcing them to “scour the world for stockpiles of the minerals needed to make everything from bullets to jet fighters.”

Trump’s latest moves are also linked to his push for a summit meeting with China’s president Xi Jinping, possibly in October. But if such a meeting does take place it will not bring about any resolution of the conflict. Rather, it will be part of the ongoing manoeuvres by the US to overcome the immediate problems it has encountered.



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