

# US-China trade truce set to be extended

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American officials are claiming that an agreement has been reached with China to extend the so-called truce on the imposition of massive additional tariffs on Chinese goods which would have all but severed trade relations between the world's number one and number two economies.

The truce, which was initially agreed to after US president Trump's initial announcement of massive "reciprocal tariff" hike in April led to a sharp downturn on Wall Street, is due to expire on November 9.

According to comments to the press during the US discussions with Southeast Asian leaders in Kuala Lumpur, Malaysia, over the weekend, it will be extended most likely for a longer period than 90 days.

The trade war was set to intensify after China had announced earlier this month the imposition of a set of global export controls on rare earths and critical minerals and their use in a range of products—from computer chips to heat resistant magnets used in autos and jet engines.

While Beijing said the controls would not affect normal commercial uses but would only apply to military equipment and were modeled on restrictions imposed by the US on the use of its computer chips, the announcement brought a furious response from the White House.

Trump immediately threatened that if the controls went ahead the US would impose an additional 100 percent tariff on all Chinese goods.

In an interview with ABC News, treasury secretary Scott Bessent said he expected that China would delay the controls on critical minerals for a year and Beijing would re-examine them.

The top Chinese trade negotiator, Li Chenggang, told reporters in Beijing that a "preliminary consensus" had been reached on the export controls, the drug fentanyl and an extension of the trade war truce.

US officials have said they expect the truce extension to be longer than 90 days as this would give certainty and stability to the global economy and the US-China relationship. In an interview with CBS, Bessent said the

additional 100 percent tariff on Chinese imports was "effectively off the table" and that there had been a "very good two days" of discussions.

The Chinese state news agency Xinhua said a "basic consensus" agreement had been reached to address the "respective concerns" of the two sides.

US officials, as reported in the *Financial Times* (FT), claimed the apparent shift by China on exports controls was the result of US threats and the warnings from the European Union that the risk of a crisis in the supply of rare earths was no longer distant.

"When you have the EU saying we're drawing up countermeasures against China... that is not something they usually do," one unnamed official told the FT.

If a truce has been reached, then the motivations on the American side are clear. It is seeking to use the opportunity to build its stockpile of critical mineral products, vital for key sections of industry including military equipment, so that it can withstand retaliation by China if the trade war escalates.

There is also considerable talk from the American side that a "framework agreement" has been reached for a deal with China to be reached at the meeting between Trump and Chinese president Xi Jinping in South Korea later this week. The statements from the Chinese side have been more muted because it is pressing for the US to make concessions on its restrictions, in particular on computer chips.

While the headlines are focused on the prospect of a truce extension, a "re-examination" of export controls, and a possible framework agreement, the US is setting in motion other mechanisms for extending its tariff war against China.

The office of the US Trade Representative (USTR) has said it will examine "whether China has fully implemented its commitments" in the trade deal it signed during the first Trump administration and "what action, if any, should be taken in response."

A spokesperson for the Chinese embassy in Washington said China opposed the "false accusations" from the US.

The re-examination of past deals and disputes is very much related to the present situation. It is part of the preparations being made by the Trump administration in the event that the Supreme Court decides to uphold the decisions by two lower courts that Trump exceeded his presidential authority in imposing “reciprocal tariffs” by invoking a “national emergency” under the International Emergency Powers Act of 1977.

The USTR investigation is aimed at providing legal grounds for the continued imposition of tariffs against China under different legislation where his powers are more clearly defined.

Apart from the talks with China, another outcome of the talks in Kuala Lumpur was the announcement of so-called trade deals with Malaysia and Cambodia and the continuation of negotiations with Thailand and Vietnam.

The use of the terms “deal” or “agreement” is very much a misnomer as the joint statement issued by the US and Malaysia makes clear. It is all one-way traffic in which, by threatening major tariffs, the US has imposed a series of diktats.

The only “concession” offered by the US is that it will maintain its tariff on Malaysian goods at 19 percent.

Among the key terms is a commitment by Malaysia to “provide significant preferential treatment for US industrial goods exports” as well as US agricultural products.

A White House Fact Sheet said the agreements included “transformative deals that will deliver billions into the US economy.”

These include: purchases of up to \$3.4 billion annually of US liquified natural gas; annual sales of \$42.6 million of US coal; the sale of US telecommunications products and services valued at \$119 million; the purchase by Malaysia of 30 Boeing aircraft plus a purchase option of 30 additional planes; and purchases of US semiconductors, aerospace components and data centre equipment with an estimated value of \$150 billion.

In return Malaysia receives nothing, save an agreement by the US that it will not be hit by major tariffs that would cripple its economy and that around 12 percent of its exports to the US will be exempt from the general tariff rate of 19 percent.

Malaysia has also agreed to “accepting US manufactured vehicles” built to US standards on safety and emissions. It will also “address and prevent non-tariff barriers to US food and agricultural products in the Malaysian markets.”

According to the statement, it has committed to “refrain

from imposing digital services taxes that discriminate against US companies” or that require US social media companies to pay into a domestic Malaysian domestic fund. And the list goes on.

One of the key objectives of the Trump administration is to secure its supply of critical minerals and break the grip of China which mines 70 percent of them and processes some 90 percent.

Accordingly, critical minerals feature prominently in the joint statement which said Malaysia had “committed to refrain from banning, or imposing quotas on, exports to the United States of critical minerals or rare earth elements.”

According to the *Straits Times*, Malaysia has rare earth depots of more than 16 million tonnes and currently supplies 13 percent of the global demand for critical minerals. But as is the case with many other sources, all the rare earths mined in Malaysia are exported to China for processing.

Under the agreement with the US, Malaysia has agreed to expedite the development of its rare earth and critical minerals sector in partnership with US firms including through the granting of extended operating licences, underscoring the importance of the development of such facilities for the US in its economic war against China.

Nowhere is the predatory character of US trade policy better illustrated than in the provision of the Malaysian deal under which it has committed to supply \$70 billion in investments in the American economy over the course of the next ten years.

It is not on the scale of the \$550 billion worth of investment commitments it extracted from Japan, but it is yet another expression of the way in which the US imperialism is resorting to outright gangster methods in an attempt to counter its historic crisis.



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