

U.S.-China Trade Deal Signals Thaw in Rare Earths Dispute, Hints at Broader Global Trade Ambitions

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Signaling a turning point in U.S.-China trade relations, China announced on June 27, 2025, that it would approve the export of rare earth elements (REEs) to the United States, marking a breakthrough in the ongoing trade tensions between the world's two largest economies. The announcement, which followed weeks of intense negotiations, came hours after U.S. officials confirmed that a deal had been reached to ease restrictions on these critical materials, essential for everything from consumer electronics to advanced military equipment. The agreement represents a step toward stabilizing the fraught economic relationship between Washington and Beijing, while also hinting at broader U.S. trade ambitions, including a potential major deal with India.

The deal, formalized after high-level talks in London earlier this month, builds on an earlier understanding reached in Geneva in May. That initial agreement aimed to de-escalate a trade war characterized by reciprocal tariffs and export controls, but quickly

unraveled when the U.S. accused China of failing to lift its export restrictions on REEs. China, which controls approximately 90% of global REEs processing according to the International Energy Agency (IEA), had imposed a dual-use licensing regime in April, requiring exporters to seek approvals for each shipment and verify the intended end-use of these materials. This move significantly disrupted U.S. industries, particularly in the automotive, defense, and technology sectors, which rely heavily on REEs for manufacturing magnets and other components.

The U.S. responded with its own countermeasures, imposing export curbs on chips, software, ethane, and jet engines, while also threatening to revoke visas for Chinese students studying in American universities. These retaliatory actions heightened tensions, with Beijing accusing Washington of reneging on the Geneva consensus. The breakdown in trust led to renewed negotiations in London, where U.S. Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng worked to stabilize the relationship. The resulting framework, which required approval from both U.S. President Donald Trump and Chinese leader Xi Jinping, appears to have paved the way for the latest agreement.

On Thursday, June 26, 2025, President Trump announced the deal at a White House event, stating, “we just signed with China yesterday.” While he offered few specifics, a White House official clarified that the agreement focused on expediting REE shipments from China to the United States, addressing delays that had disrupted global supply chains. U.S. Commerce Secretary Howard Lutnick provided further insight, telling Bloomberg News that China is “going to deliver REEs to us” and that, in return, “we’ll take down our countermeasures.” This reciprocal arrangement was echoed in China’s Ministry of Commerce statement on Friday, which confirmed that China would approve export applications for controlled items that meet legal conditions, while the U.S. would cancel a series of restrictive measures imposed on Beijing.

China’s statement framed the agreement as a step toward fostering cooperation, expressing hope that both sides could “continuously enhance consensus, reduce misunderstandings, strengthen cooperation, and jointly promote the healthy, stable and sustainable development of China-US economic and trade relations.” However, the lack of detailed information about which specific export curbs would be relaxed has tempered expectations among analysts. Alfredo Montufar-Helu, a senior advisor for the China center at The Conference Board, described China’s announcement as “encouraging” but cautioned that REEs remain “a crucial bargaining chip in future negotiations.” He suggested that trade in these materials would likely continue to face constraints, particularly for U.S. defense contractors, as China’s dual-use export restrictions are expected to prohibit shipments to military suppliers.

Table 1: Detailed Breakdown of the Deal

Aspect	Details
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Deal Announcement	June 27, 2025, following London talks
Key Components	Fast-track non-military exports, "green channel" for trusted US firms
Tariff Adjustments	US tariffs on China reduced to 55%, China on US to 10%
Unresolved Issue	Military-use rare earth magnets, like for fighter jets, not addressed

The REEs dispute has brought into focus the strategic importance of these minerals, which are critical for producing magnets used in everything from electric vehicle motors to fighter jet components. China's dominance in REE processing has given it significant leverage in trade negotiations, a point of contention as the U.S. seeks to secure reliable supplies for its industries. Recent reports indicate that, despite China's claims of "speeding up" approvals for compliant export licenses, many U.S. companies are still struggling to secure sufficient supplies. The U.S. Commerce Department's decision to allow ethane traders to load vessels bound for China, while prohibiting unloading without authorization, suggests preparations to lift these curbs as part of the broader deal.

The agreement also includes provisions to ease other tensions, with Trump suggesting that Chinese college students would be allowed to attend American universities, reversing earlier threats to revoke their visas. This gesture indicates an effort to rebuild trust, though the path forward remains uncertain. The Geneva talks in May had initially promised a 90-day suspension of tariffs and a rollback of restrictive measures, but mutual accusations of non-compliance derailed progress. The London negotiations, culminating in the latest deal, appear to have restored some momentum, though analysts remain cautious about its long-term impact.

Beyond the U.S.-China deal, President Trump used the occasion to signal broader trade ambitions, hinting at a "very big" trade agreement with India during his remarks at the Big Beautiful Bill event. "We have one coming up, maybe with India. Very big one. Where we're going to open up India, in the China deal, we're starting to open up China," he said, emphasizing that not all countries would secure such deals. "Some we are just going to send them a letter, say thank you very much. You are to pay 25, 35, 45 per cent. That's the easy way to do it," he added, suggesting a selective approach to trade negotiations. Trump's comments reflect a broader strategy to strengthen U.S. global trade ties and supply chain stability, with India emerging as a key partner.

U.S. Commerce Secretary Howard Lutnick reinforced this optimism about a potential U.S.-India deal, stating at the US-India Strategic Partnership Forum that the two countries

were in a “very, very good place” and that a deal could be finalized in the “not-too-distant future.” He expressed confidence that the agreement would work for both nations, saying, “I think we found a place that really works for both countries.” When pressed on his optimism, Lutnick responded, “Very optimistic,” adding, “It could be sort of the way I come across.” While specifics of the potential India deal remain undisclosed, the focus on strengthening trade ties suggests an effort to diversify U.S. supply chains and reduce reliance on China for critical materials like REEs.

Table 2: Global Rare Earth Roles and Country-wise Current Status

Country	Rare Earth Role	Current Status
China	Dominates production (90%+), processing monopoly	Supplies US, but restricts military uses
US	Developing domestic chain, slow progress	Reliant, MP Materials at 1,000 tons vs China’s 300,000
Australia	Emerging, projects like Eneabba, Nolans	Tripling output by 2027, needs support
Japan, Vietnam	Developing capabilities, joint initiatives	Vietnam’s refinery shut, Japan leads research
India	Emerging producer, exploring domestic reserves	Limited production, plans to increase by 2027
Russia	Minor producer, state-backed development	Expanding, but small scale compared to China

Taken as a whole, this latest U.S.-China agreement illustrates the tightrope both nations walk—pursuing mutual economic interests while competing strategically. For the U.S., securing access to REEs is critical for maintaining its technological and military edge, while China seeks to protect its dominance in the global supply chain. The reciprocal nature of the deal—China’s approval of exports in exchange for the U.S. lifting countermeasures—reinforces the tit-for-tat dynamic that has characterized their trade relationship. However, the absence of detailed commitments, particularly regarding the scope of relaxed export controls, leaves room for skepticism about the deal’s immediate impact.

Industry insiders have noted that China's dual-use licensing regime continues to create bottlenecks, with many companies facing delays in securing REEs supplies. As mentioned above, the prohibition on shipments to military suppliers further complicates matters for U.S. defense contractors, who rely on these materials for the manufacturing of advanced weaponry. While the agreement signals a willingness to de-escalate, the underlying tensions and structural challenges in the global REE market are likely to persist. Analysts argue that both sides will continue to view these minerals as leverage in future negotiations, potentially limiting the scope of trade liberalization.

Also note that the broader implications of the deal extend beyond REEs, as it reflects a cautious effort to stabilize U.S.-China relations after months of escalation. The inclusion of measures like allowing Chinese students to study in the U.S. suggests an attempt to rebuild goodwill, though the success of these efforts will depend on sustained cooperation. Meanwhile, Trump's remarks about India indicate a strategic pivot toward diversifying trade partnerships, potentially positioning India as a counterbalance to China in the global supply chain.

With the agreement now entering the implementation phase, the spotlight is expected to shift to monitoring compliance and resolving lingering disputes. The deal's success hinges on both sides' ability to follow through on their commitments, particularly China's approval of export licenses and the U.S.'s removal of countermeasures. For now, the agreement offers a glimmer of hope for resolving one of the most contentious issues in U.S.-China trade relations, while also setting the stage for broader negotiations with other global partners like India. However, forging a sustainable trade partnership won't be easy, as both sides work through the layered complexities of their broader rivalry.

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