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ALERT

United States and China Negotiate One-Year Trade Deal

November 17, 2025

On November 1, 2025, the White House reached a framework deal with the People's Republic of China (PRC) outlining resolutions to several areas of dispute in the ongoing U.S.-PRC trade conflict. The agreement marks the culmination of months of negotiations and, as described in a fact sheet issued by the White House, addresses a range of topics, including tariff reductions, delays in export controls, purchase agreements, and various other commitments.

Tariff Reductions and Trade Commitments

- Fentanyl Tariff Reduction: As detailed in the associated Executive Order, the United States will reduce the fentanyl-related tariff on Chinese imports by half, decreasing it to 10%. This will lower the general tariff rate for the PRC to 49%, down from the previous 59%.
  - The tariff reduction follows commitments made by the PRC to embrace "significant measures" to halt the flow of fentanyl to the United States. Specifically, Beijing promised to stop the shipment of certain designated chemicals to North America and enhance controls on the export of certain other chemicals to all destinations.
- Extension of the Reciprocal Tariff Reduction: As detailed in the associated Executive Order, the United States will extend the 24% reduction in the PRC's reciprocal rate tariff as outlined in Executive Order 14257 until November 10, 2026.
- Reduction of Chinese Retaliatory Tariffs: The PRC will suspend all retaliatory tariffs announced since March 4, 2025, lowering the general tariff rate on U.S. exports to China to 21.9%.

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Practice Areas

Export Controls and Economic Sanctions
International Trade
National Security
Strategic Competition & Supply Chain

  - Beijing will also suspend or remove all non-tariff countermeasures implemented against the United States since March 4, 2025, including the addition of certain American companies to its end user and unreliable entity lists.

- One-Year Delay of Implementation of Remedies Under Section 301 Maritime, Logistics, and Shipbuilding Investigation: As described in the fact sheet noted above, the United States will delay the implementation of the actions undertaken pursuant to the Office of the U.S. Trade Representative's Section 301 investigation into the PRC's maritime, logistics, and shipbuilding industries for a one-year period, including:
  - Port fees on China-linked vessels calling at American ports;
  - New tariffs on Chinese-made ship-to-shore cranes and cargo-handling equipment;
  - Fees on foreign-built vehicle carriers; and
  - Requirements tied to LNG shipping and U.S.-built vessel incentives.
  - The PRC has committed to suspending, for the same duration, the retaliatory measures it implemented in response to the Section 301 shipbuilding case, including its imposition of port fees and sanctions on U.S.-affiliated shippers.

- Extension of PRC Tariff Exclusion Process: The PRC will extend the expiration date for its market-based tariff exclusion process for imports from the United States, and exclusions will now remain valid until December 31, 2026. In return, the United States will further extend the expiration of certain Section 301 tariff exclusions, currently due to expire on November 29, 2025, until November 10, 2026.

Chinese Purchase Agreements

- The PRC committed to purchasing 12 million metric tons of American soybeans this year and 25 million metric tons annually for the next three years. Additionally, the PRC will resume purchases of U.S. sorghum and hardwood and softwood logs.

- In addition, President Trump also stated that Beijing might make unspecified commitments to purchase American energy products.

TikTok Sale of U.S. Operations and Transfer of Control

- The PRC reached an agreement with the United States regarding the transfer of control of TikTok's U.S. operations to an American entity, with the deal expected to proceed in the coming weeks or months.

Semiconductor Commitments

- Beijing will terminate its antitrust, anti-monopoly, and antidumping investigations targeting U.S. companies in the semiconductor supply chain.

- The PRC committed to ensuring the resumption of trade from Nexperia facilities in China. Beijing previously blocked Nexperia from exporting products from its Chinese facilities, following the Dutch government's seizure of control over the company last month, which was likely related to U.S. publication of its "Affiliates Rule," discussed further below.

Pause on Chinese Rare Earth Element Export Controls

On October 9, the PRC's Ministry of Commerce (MOFCOM) unveiled additional export control restrictions on rare earths; rare earth processing equipment and technologies; permanent magnets; lithium high-energy batteries and production equipment; and graphite processing technologies. These measures covered exports to all markets and significantly expanded MOFCOM's export control authority, expanding PRC export license requirements to any items, even those manufactured outside of the PRC, containing or made with traces of specific Chinese-sourced critical minerals, manufacturing equipment, or technologies.

These new export controls would have impacted a wide range of industries globally, including the defense, semiconductor, permanent magnet, and superabrasives sectors (e.g., industrial diamonds), among others. The October 9 export controls on rare earth elements (REEs) do not represent MOFCOM's first such measures, with several rounds of controls introduced over the past several years (including an April 4, 2025, order that placed export restrictions on seven REEs: samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium, as well as permanent magnets).

As part of the agreement with the Trump Administration, Beijing announced it will delay imposition of the proposed new export controls on rare earth minerals and magnets for one year, pausing enforcement of the controls, which entered effect immediately or were scheduled to take effect on December 1, 2025. The PRC also committed to issuing general licenses for the export of rare earth elements, namely gallium, germanium, antimony, and graphite. These general licenses would effectively suspend the above-noted export controls on these items previously implemented by the PRC, so long as the general licenses remain in place.

Suspension of the Department of Commerce's Affiliates (50 Percent) Rule

In September, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) published an interim final rule (IFR) – the "Affiliates Rule" – that considerably expanded the number of foreign entities subject to license requirements and other restrictions based on Entity List and "Military End User" (MEU) List designations as well as certain sanctions designations. The IFR amended the Export Administration Regulations such that any foreign entity at least 50% owned, directly or indirectly, by one or more entities on the Entity List or MEU List is itself automatically subject to Entity List or MEU List restrictions, respectively. BIS also concurrently released a revised set of "Entity List FAQs" providing additional guidance.

BIS formulated its Affiliates Rule to align with the U.S. Department of the Treasury Office of Foreign Assets Control's "50 Percent Rule," pursuant to which any entity owned 50% or more, directly or indirectly, individually or in the aggregate, by one or more designated persons will generally be subject to the same restrictions as the designated person(s). For additional guidance, please see our October 1, 2025 client alert: "Commerce Expands EAR End-User Controls with New '50 Percent Rule.'"

However, in return for the PRC delaying its October 9 export controls on critical minerals and technologies, BIS announced that the Affiliates Rule would be suspended for one year, starting on November 10, 2025, with the pause set to conclude on November 9, 2026. Notably, the White House fact sheet on the U.S.-China trade deal and the final rule regarding the action indicate that the suspension of the Affiliates Rule will apply globally, and not just to parties in China. Also of note, the final rule explains that BIS "will continue to evaluate U.S. national security and foreign policy interests related to these non-listed foreign affiliates of listed entities" over the next year.

Implications for Industry

- The tariff reductions signal a potential pause in tariff actions by both countries, although, as demonstrated by the number of changes to U.S. tariffs on China during 2025, businesses should be cautious when forecasting whether these reductions should be priced into their business model.
- The pause on the PRC's export controls offers U.S. industry a temporary reprieve from the potential loss of access to Chinese REEs and other critical technologies – an outcome that would have produced wide-ranging consequences for domestic manufacturers. However, since MOFCOM's suspension will not be permanent, and is ultimately subject to their discretion regarding implementation, American companies should continue to proactively secure their supply chains and, where necessary, pursue remedial measures to diversify sources and mitigate future disruptions.
- The implementation of the Affiliates Rule will result in a significant volume of newly banned or restricted entities, with major ramifications for U.S. industry. The rule will significantly increase exporters' due diligence and compliance requirements, especially when information about ownership proves limited or incomplete, as is often the case in many foreign jurisdictions. As such, the one-year suspension provides exporters additional time to adjust their compliance programs until BIS, absent a future extension, reinstates the rule in November 2026.

Our National Security, International Trade, Export Controls and Economic Sanctions, and Strategic Competition & Supply Chain teams have unparalleled experience and expertise representing a broad range of U.S. and multinational clients in complex export control, sanctions, international trade, and supply chain matters. For more information on this agreement and any other national security, trade, or supply chain issues, please contact any of the attorneys listed on this alert.

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