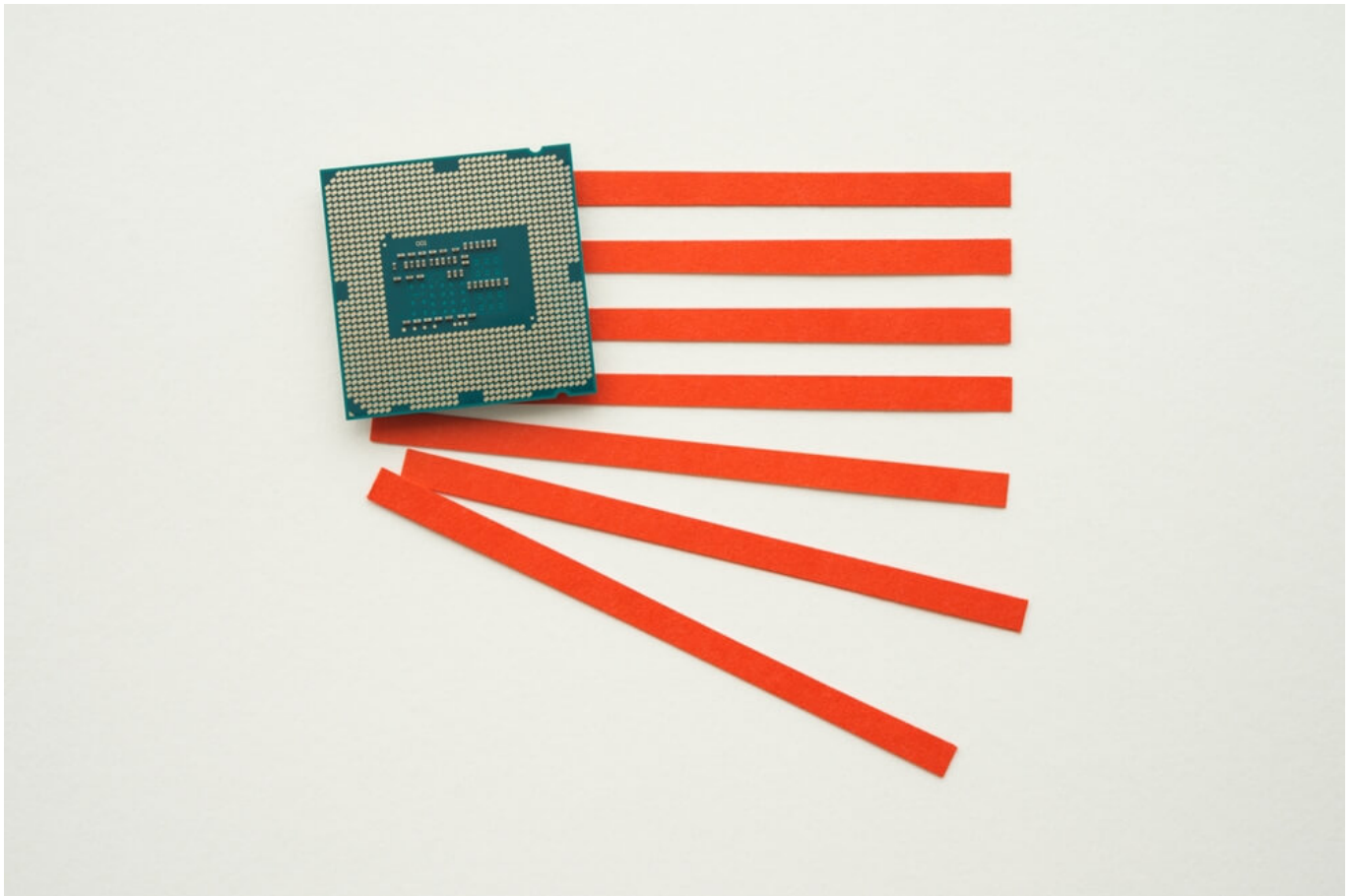




By: The Editorial Board

Can the US and China trade even if they no longer trust each other?



The **meeting** of the high-level delegations of the US and China in London offered the two opposing powers the opportunity to address not only the consequences of the trade war but also the interdependence they cannot avoid.

The negotiations were not about ideological balance or political principles but about the survival of global supply **chains** in the industries that define the 21st century.

As the world's largest processor of rare earths, the Chinese were in a strong position, while the Americans were seeking exemptions from export restrictions that posed a threat to their military and technological base.

The United States has taken several strategic actions in recent years aimed at diversifying supply chains for key raw materials and components, particularly those dependent on Chinese **exports**.

While initiatives have been launched to build its own capacity and work with partners such as Australia, Canada, Japan, and the EU, none of these directions can yet fully replace China's processing capacity, particularly in the rare earths sector.

From rare earths to advanced chips

Despite Australia's substantial reserves and active mines, China remains the primary hub for sophisticated processing. Canada is in the early stages of capacity development, and commercial processing has not yet entered a stable phase.

Malaysia, where the Australian company Lynas Rare Earths (the only producer of rare earths outside China with full processing capacity) has a separation and purification plant, **continues** to rely heavily on raw materials from China.

Vietnam has potential deposits and is expanding co-operation with Japanese and

Korean partners but lacks the infrastructure and technical capacity for independent processing.

Restricting China's access to cutting-edge technologies

At the same time, the US has **tightened** export regulations on advanced chips and lithographic devices over the past two years, primarily with the aim of restricting China's access to cutting-edge technologies in the fields of artificial intelligence and military electronics.

In response, China further **tightened** export controls on selected rare earth elements in April, including neodymium, dysprosium, and praseodymium, which are critical to the manufacture of magnets, drones, electric motors and precision guidance systems.

Selective reciprocity in trade in strategic resources

These Chinese measures have had an immediate impact on Western markets.

There is growing concern in the US private sector about the risks to the continuity of industrial supply, but this pressure is mostly expressed through closed consultations between companies and federal agencies, without public joint statements.

Sectors dependent on steady supplies—defence, electric vehicle manufacturing, and precision electronics — have made it clear that urgent **solutions** are needed, prompting the administration's decision to open negotiations with China.

The negotiations in London - an attempt to ensure a minimum of functional stability

The negotiations in London are not **intended** as a political gesture but rather as an attempt

to ensure a minimum of functional stability.

Washington did not act with the goal of lifting Chinese restrictions but to create a **predictable** and limited supply channel for critical elements necessary for domestic military and technological infrastructure.

The agreement was not formalised as a comprehensive, but a bilateral working group was set up to determine the regulation of quotas, inspections, and trade transparency by September 2025.

In return, China received a conditional relaxation of export controls in segments where the end products are not used for military purposes. This created the basis for selective reciprocity in trade in strategic resources.

A neutral platform for exchange

The US administration is trying to stabilise relations with China at a time when it is faced with rising costs for reindustrialisation and uncertainties in the market for strategic raw materials.

On the other hand, the Chinese leadership is trying to promote economic recovery without undermining political control over the export sector.

The American president must show resolve and independence from Chinese resources but also ensure the smooth functioning of domestic industry.

At the same time, China is trying to stabilise its slow economic growth and maintain trade flows with key partners in Asia.

London meeting - a technical necessity between two powers that have competing interests

In this context, London served as a neutral platform for exchange — not as a symbol of

diplomatic reconciliation, but as a technical necessity between two powers that have competing interests but also an interdependence they cannot ignore.

The industrial aspect of the agreement has immediate consequences. US companies in the magnet, battery, turbine, and semiconductor industries can expect limited but predictable supplies of rare earth metals over the next three quarters.

China reserves the right to revise the export regime if it sees its strategic interests threatened, including situations that could involve new US sanctions or more extensive military supplies to Taiwan.

Although these measures have not been explicitly announced, Chinese officials have repeatedly signalled their willingness to control exports in case of escalation.

The future of multilateralism

The European Union is **observing** these negotiations from the position of a secondary actor.

Although EU member states have their own **needs** for rare earths, their ability to provide independent sources for processing and supply is limited.

Brussels is negotiating directly with China, but without comparable technical power or political clout. For this reason, the EU is increasingly harmonising the regulatory framework with the United States, which China interprets as a form of informal bloc control of European policy.



The EU is increasingly harmonising the regulatory framework with the US, which China interprets as a form of informal bloc control of European policy

The markets reacted immediately. The prices of neodymium and dysprosium fell by more than 8% following the announcement of the results of the London talks.

The reduced uncertainty has driven up the value of shares in companies that depend on a stable supply of these elements. However, this reaction is short-term.

The long-term price trend will depend on whether the agreed-upon cooperation mechanism is institutionalised or remains subject to political fluctuations and moments of tension.

Trade in commodities is no longer just part of the economic routine. It has become an instrument of security, a negotiation mechanism, and a factor in strategic control.

America's goal is not to restore balance but to preserve the functional continuity of its own industry, even if it accepts selective compromises in the process.

China's goal is not the complete suspension of exports but a precise alignment of its structure in accordance with domestic priorities and foreign policy interests.

The trade system that is emerging is not based on liberal market principles but on a series of coordinated agreements, exceptions, technical oversight and political negotiations.

Multilateralism is increasingly retreating in the

face of sectors that have become too strategic to be governed by the logic of supply and demand.

The global system is both fragile and resilient

The bilateral group has scheduled its next meeting for September, but they have not yet decided on the location. Until then, the positions of both sides will continue to be shaped by internal politics.

The US is strongly considering budgetary instruments and investments in new supply chain infrastructure—including mining and processing in allied countries.

For its part, China is in talks with Southeast Asian partners, such as Malaysia and Vietnam, about the potential for processing on its terms, although specific agreements have not yet been formalised.

None of the parties can act alone in the REE market

Regardless of how the negotiations develop, the meeting in London has shown that none of the parties can act alone in the REE market.

The global economy cannot be fragmented, nor can it return to its old liberal form.

The agreement is not a starting point for compromise but a pragmatic tool for both powers, who know that cutting off economic communication is more damaging than selective co-operation.

At a time when the world is reorganising itself around new blocs, London has shown that such blocs must also trade with each other — not out of friendship or trust, but out of unavoidable structural necessity.

This meeting was not a final agreement, but a signal that the global system is both fragile and resilient when it takes a turn towards genuine

pragmatism.