Weekly China Insight

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US and China extend trade war truce by 90 days

On 12 August, the United States and China agreed to extend their trade war truce by 90 days, delaying a potential escalation in mutual tariffs that could have re-imposed rates as high as 145% on US imports from China and 125% on Chinese imports from the US. US President Trump signed an executive order authorizing the extension just hours before the previous truce expired, preserving the existing tariff levels (30% on Chinese goods and 10% on US goods) until 10 November. In tandem, the Chinese commerce ministry (MofCom) also paused planned trade and investment restrictions targeting a number of US firms, as well as non-tariff retaliatory measures such as export controls and the enforcement of unreliable entity listings.

The extension follows two rounds of negotiations that took place in Europe. At the same time, Trump has continued to pressure China for increased purchases of American soybeans, while US negotiators reportedly sought concessions from Beijing on industrial overcapacity, semiconductor access, and Chinese oil imports from Russia and Iran.

The trade war truce extension buys time for US importers ahead of the US holiday stocking season and reflects both sides’ desire to avoid a return to tit-for-tat tariff hikes. However, the fragile nature of the trade talks and unresolved structural issues suggest there is still a very high risk of renewed confrontation between Beijing and Washington, if no substantive trade deal emerges later this year.

China sanctions two EU banks in retaliation for EU Russia-related sanctions

On 13 August, the Chinese commerce ministry (MofCom) imposed sanctions on two Lithuanian banks, namely the UAB Urbo Bankas and the AB Mano Bankas, barring all Chinese institutions and individuals from conducting transactions, partnerships, or other activities with them. The move is a direct countermeasure to the European Union’s decision on 9 August to sanction two small Chinese rural banks over their alleged role in facilitating digital asset transfers that undermined EU sanctions on Russia. Beijing’s sanctions invoke China’s Anti-Foreign Sanctions Law, in order to legalize the restrictions. MofCom condemned the EU’s accusations as baseless and called on Brussels to "correct its wrongdoings."

Beijing’s retaliatory measure signals a hardening of China’s stance on financial sanctions and adds further strain to already tense China-EU relations. The move raises risks for European financial institutions operating in China or with Chinese entities, amid broader geopolitical tension over Russia’s war in Ukraine.

KREAB WORLDWIDE

Trump considers allowing exports of downgraded Nvidia Blackwell chip to China

On 12 August, US President Donald Trump signaled he may allow Nvidia to export a downgraded version of its Blackwell AI chip architecture to China, contingent on a performance reduction of 30% to 50% of its capacity. At a press conference, Trump confirmed ongoing negotiations with Nvidia CEO Jensen Huang and defended a recent deal under which Nvidia and AMD will give 15% of their Chinese AI chip sales revenue to the US government in exchange for export licenses. The current top-tier US chip permitted for exports to China is Nvidia's H20, which Trump called obsolete. Trump emphasized the importance of ensuring that any chip allowed for export would be an "unenhanced version" that does not grant strategic AI advantage to China. Other senior US officials have claimed that such chip sales to China do not compromise US national security.

Trump's willingness to permit increasing AI chip sales to China reflects both a commercial incentive for greater US government revenue and a strategic attempt to maintain US leverage in the global AI race by making China reliant on inferior US technologies.

China introduces new K visa to attract young foreign STEM talent

On 14 August, Chinese Premier Li Qiang signed a State Council order to create a new K visa category aimed at young foreign professionals in science, technology, engineering, and mathematics (STEM). The new visa, which will come into effect on 1 October, is part of China's broader strategy to enhance technological innovation and self-reliance. The visa will be granted to individuals under approximately 40-45 years old with degrees or research credentials with prestigious institutions.

Unlike most other visa types, the K visa will not require a Chinese employer or sponsor and will offer greater flexibility in terms of the number of entries and stay duration. Holders of the K visa will be allowed to engage in research, education, cultural exchange, and entrepreneurial activities. The move comes amid China's continued liberalization of visa rules, including expanded visa-free entry arrangements that have driven a 30.2% increase in foreign arrivals in the first half of 2025.

The K visa represents a significant moment in China's global talent policy, designed to counter brain drain and mitigate US-led tech containment by attracting foreign STEM expertise to bolster China's innovation ecosystem.