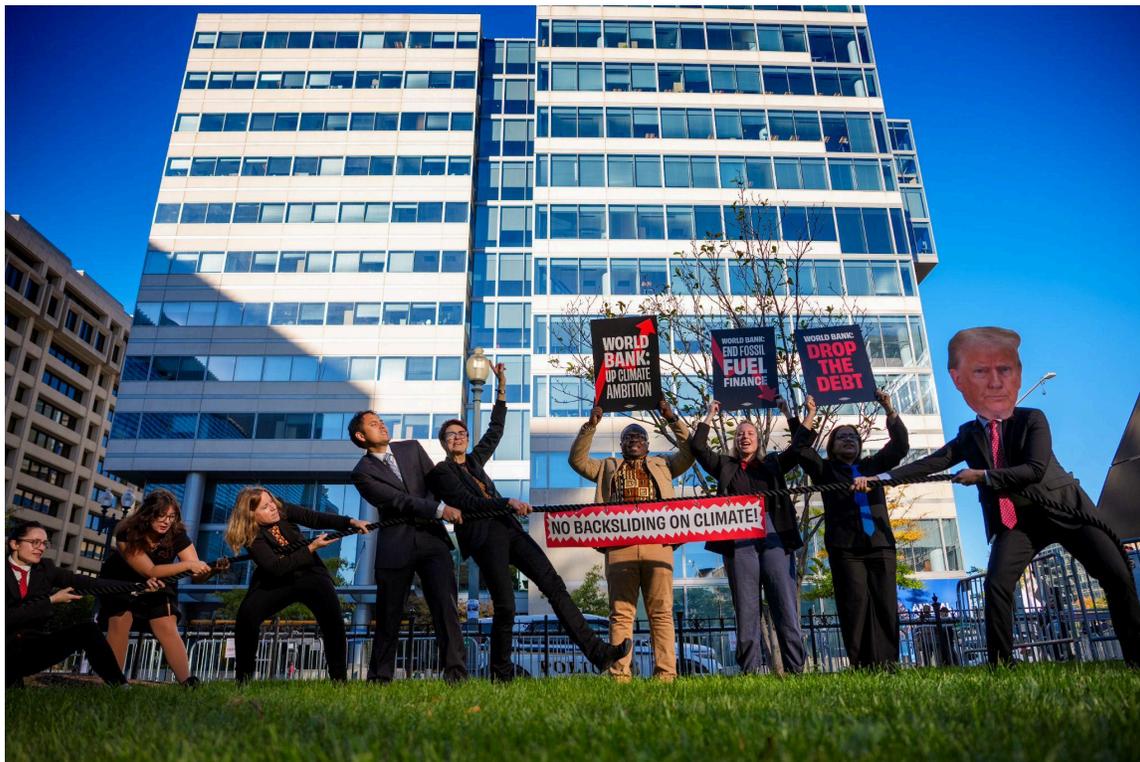


October 17, 2025

Volume 5, Issue 21

Online ISSN 2837-3863  
Print ISSN 2837-3855

## What's Been Happening

**1 — China's Rare Earths Regulation Kicks-off Fresh Round of U.S.-China  
Friction — 1**

WASHINGTON, DC - OCTOBER 16: A small group of climate activists gather in front of the International Monetary Fund (IMF) and the World Bank Group 2025 Annual Meeting on October 16, 2025 in Washington, DC. (Photo by Andrew Harnik/Getty Images)

**[In One Sentence]**

- A new round of the trade war is underway between China and the U.S. with President Donald Trump threatening to impose additional 100% tariffs on Chinese imports in retaliation for Beijing's latest export controls on rare earths.

- Treasury Secretary Scott Bessent also warned of a “fulsome group response” from the U.S. and its allies, saying he is in touch with other countries to finalize the steps.
- Bessent also revealed that staff-level meetings were being held with the Chinese side on the sidelines of the IMF-World Bank meetings in Washington, D.C. to find a pathway forward through the rare earths crisis.
- Bessent confirmed in an interview with Fox News that the planned meeting between Trump and Chinese President Xi Jinping could still happen in South Korea on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Summit.
- President Trump also blamed China for “purposefully” not buying U.S. soybean and termed it an “economically hostile act” and threatened to retaliate by terminating business with China on “cooking oil and other elements of trade.”
- The Chinese Commerce Ministry rejected the U.S. allegations on rare earths, saying that “wilful threats of high tariffs are not the right way to get along with China,” and warned that Beijing “does not want” a trade war but is “not afraid of it.”

### [Mark the Essentials]

- In a press conference on October 15, Bessent termed the rare earth controls as a “China vs the world problem” and not a U.S.-China issue, saying that the “bureaucrats in China cannot manage the supply chain or the manufacturing process for the rest of the world.”
- China defended its export controls, asserting that they are in “accordance with the law to better safeguard world peace and regional stability,” and added that Beijing remained open to “strengthen dialogue” and exchanges with all countries.
- According to the rules announced by the Chinese Commerce Ministry on October 9, all foreign companies would be required to obtain Chinese government approval to export and re-export rare earth magnets that contain traces of China-sourced rare earths and would apply to foreign produced magnets and semiconductor materials.
- China dominates the rare earths supply chains, controlling over 60% of the global mining and over 90% of processing and refining.

### [Keeping an Eye On...]

- Well, that was quite a doozy. On October 9, the Chinese Commerce Ministry (MOFCOM) issued not one, but six export control regulations related to dual-use controls on rare earths. The regulations in totality cover the export and re-export of any products that directly or indirectly, be it produced on Chinese soil or elsewhere, contain Chinese-origin rare earth materials and technologies at any point in their supply chain. Given that the impacted products include electric vehicles, semiconductors, renewable energy goods, consumer electronics and defense items, among others, the extent of regulatory reach is vast. Let’s run through the list quickly:
  - **Announcement #55** imposes export controls on superhard materials, such as diamond wire saws, that are used for cutting, grinding and drilling hard materials.

- **Announcement #56** imposes controls on certain rare earth equipment and raw materials, such as centrifugal extraction equipment for rare earth production and processing as well as permanent magnet crushing furnaces.
- **Announcement #57** adds five new rare earth elements (REE) to China's "restricted" export control list, taking the overall number of controlled REEs to twelve. Seven REEs had been placed on the control list in April 2025, two days after Trump's 'Liberation Day' tariff announcement. As such, only five REEs remain to be residually placed on the control list.
- **Announcement #58** imposes controls on dual use items related to lithium batteries and artificial graphite anode materials. Earlier this July, the Commerce Ministry had placed the export of these lithium-based battery technologies in its *Catalogue of Technologies Prohibited or Restricted from Export*.
- **Announcement #61** is the **hardest-hitting of the six regulations introduced, and a prime example of habits learnt from the American side**. It expands the extraterritorial reach of China's REE controls by regulating the export *by foreign entities* of: (a) Chinese-origin rare earths, (b) foreign-produced permanent magnets that contain Chinese REE value content beyond trace amounts, and (c) foreign-produced items that are manufactured using Chinese rare earth technologies. This application of the re-export, de minimis, foreign direct product rule (FDPR), and 50% affiliates rule is a carbon copy of the upstream controls used by the U.S. side to regulate the global semiconductor production ecosystem.
- **Announcement #62** imposes controls on certain rare earth technologies, such as smelting, separation, magnetic materials manufacturing, etc.

So, why now? Well, China controls on REEs and REE technologies have been a long time coming, **but an action-reaction sequence is unmistakable**. In April 2023, in response to the Biden administration's wide-ranging October 2022 semiconductor export controls, amendments were proposed to the *Catalogue of Technologies Prohibited or Restricted from Export* that would impose controls on high-performance magnets derived from rare earths, among others. The *Catalogue*, first released in 1998, had remained mostly untouched until mid-2023. In December 2024, China's Export Control Dual Use Regulation came into effect, just as the Biden administration was introducing its broad semiconductor manufacturing equipment-related controls. In early April 2025, the placement of five REE elements on China's control list was timed to respond to the Trump administration's Liberation Day announcement two days earlier. And the recent wide-ranging October 9<sup>th</sup> REE and REE technology controls follow in the wake of the Trump administration's late-September '50% Affiliates Rule' that expanded the trade blacklist (Entity List) of companies that pose a national security risk to also include subsidiaries that are 50% owned by existing listed entities. The effects of the rule have been immediate - witness the late-September seizure of Chinese-owned, Netherlands-based chipmaker Nexperia and the ousting of its Chinese CEO by the Dutch government. Much like the Trump administration's '50% Affiliates Rule', MOFCOM's October 9 regulation - and Announcement #61 in particular - is intended to address the risk of diversion or circumvention of controlled items.

In passing, the timing of the Trump administration's late-September '50% Affiliates Rule' has not helped. It came in the afterglow of the TikTok deal that witnessed the Chinese side make a significant concession (releasing TikTok's algorithm from the 'restricted' list of its *Catalogue of Technologies Prohibited or Restricted from Export* to enable its licensing) as well as the earlier, mid-September Madrid talks where both sides left with the understanding that neither would introduce nasty surprises in the run-up to a possible Xi-Trump meeting in South Korea.

So, where to go from here? Well, both sides will just have to sit down as they did in Geneva and London in May and June 2025 respectively, and work out a ceasefire on the export control front to ensure the uninterrupted flow of REEs and REE technologies. It may be the case that one or both sides may have to flash their own high-tech export control weaponry to get the other to stand down, as the Trump administration did after the Geneva talks in order to speed up the issuance of rare earth export licenses. Obviously, this is not the sort of backdrop that the two presidents would prefer as they may hold a 'pull aside' meeting at the APEC leaders' meeting. But if they are to reach a comprehensive trade deal, the two presidents will have to first figure out a way to tread delicately over the choppy waters of the U.S.-China technology export controls.

### [Expanded Reading]

- [Bessent Sees 'Fulsome' Global Response to China on Rare Earths](#), *Bloomberg*, October 15, 2025
- [Greer, Bessent blast China's rare earths curbs, urge Beijing not to implement them](#), *Reuters*, October 15, 2025
- [Treasury Secretary Bessent accuses China of 'financing war' as US-China trade tensions escalate](#), *Fox Business*, October 13, 2025
- [Trump's 100% tariff threat sparks defiance from Beijing](#), *Politico*, October 12, 2025
- [China warns US of retaliation over Trump's 100% tariffs threat](#), *The Guardian*, October 12, 2025

## 2 — IMF and World Bank Gather for Fall Meetings Amid Global Economic Uncertainty — 2

### [In One Sentence]

- The IMF released its latest economic forecast report on October 14 in Washington, projecting that the global economy will grow at a modest 3.2% in 2025, down from 3.3% last year.
- The report detailed major challenges to the global economy with trade and tariff uncertainty, rising debt levels, and an AI boom that could turn out to be a bubble similar to the 1990s dot.com market crash.
- The IMF raised its 2025 U.S. growth forecast to 2% from 1.9%, citing resilient activity and limited disruption from tariffs so far, but warned that escalating trade tensions and tariff uncertainty still pose major risks to future economic performance.
- As for the Asia and Pacific region, the IMF raised its 2025 growth forecast from 3.9% to 4.5%, citing resilient exports and AI-driven demand, but warned that escalating U.S.-China trade tensions and potential new tariffs could severely disrupt the region's supply chains and weigh on future growth.
- According to IMF data, global public debt is projected to exceed 100% of GDP by 2029, led by advanced and emerging market economies which would in turn negatively impact advanced economies' development assistance to the world's poorest countries.

### [Mark the Essentials]

- With the U.S. threatening additional tariffs on China, IMF's Chief Economist Pierre Olivier Gourinchas observed that the effect of President Trump's tariff shocks have been smaller "than initially feared." However, he warned that the "tariff shock is here" and is further "dimming" already weak growth prospects, including in the U.S.
- The IMF also cautioned that the U.S. AI boom could turn into a 1990s-like dot.com bubble and "some shareholders, some equity holders may lose out."
- A new Goldman Sachs report has found that U.S. consumers are now bearing up to 55% of the resulting costs of Trump's tariffs, arguing that the cost burden is likely to rise as more tariffs are imposed.
- Kristalina Georgieva, IMF's Managing Director, promised to press G20 nations over the debt crisis and added that fiscal consolidation is necessary in both rich and poor countries which is possible if policy is "planned, communicated, and implemented well."

### [Keeping an Eye On...]

- It may come as a surprise to hardened trans-Pacific trade warriors, but China's industrial policies and practices in particular have very little to do with the massive trade imbalances on both sides of the Pacific. The real culprit here is consumption. As in, overconsumption in the U.S. and *massive* under-consumption in China which manifests itself in a mammoth trade surplus with the U.S. and the world. In 2024, the current accounts of the major economies diverged significantly, with the U.S. and China running a mirror \$1 trillion-plus deficit and surplus. Global imbalances have also increased to their widest point since the Global Financial Crisis of the late-2000s. Unlike the late-2000s however, when excess savings in China and emerging Asian economies led to depressed interest rates and exacerbated the imbalances, there has been no decline in interest rates this time around. To the contrary, real interest rates have increased slightly. The upshot of the above is that the causes of the external deficits and imbalances are mostly homegrown and can be traced to domestic savings-investment imbalances. Increased investment and excess consumption in the U.S. and anemic domestic demand conditions in China stem from its continuing property market slump. The solutions must be homegrown, too. A significant fiscal adjustment in the U.S. is needed, given that the country is running its largest historical budget deficit outside of war or a peacetime economic emergency. Conversely, then an equally robust demand-side adjustment by China that directly addresses its property sector woes and materially supports the build-out of household consumption is also necessary. One would think after nine consecutive quarters of deflationary pressure, this message would have penetrated through, but the Chinese leadership still remain mesmerized by its production-side 'new quality productive forces' slogan and captive to the idea that China's consumption trajectory will somehow magically trend upwards once the country hits the \$13,000 per capita threshold.

Finally, both sides of the Pacific would be better-off from a rebalancing perspective with a coordinated adjustment of exchange rates, and a trans-Pacific agreement in this regard featuring the dollar and key Asian trading currencies (the RMB, Japanese yen, South Korean won, New Taiwan Dollar and Vietnamese dong) should be explored. Structural misvaluation of currencies has historically been a harbinger of protectionist backlash and, more recently, of financial stability risks. Indeed, an overvalued dollar was a key accelerant during each of three great periods of U.S. tariff raises - the Smoot-Hawley tariffs in the 1930s, the Nixon Shock of the 1970s, and the Japanese import surge and deployment of the Section 301 tool in the

1980s. In the first two instances, there was even a breakdown of the international monetary order of the day, in turn precipitating structural misalignments in currency rates and explosion of ‘beggar thy neighbor’ policies.

As for tariffs and industrial policy, that is best left to incubating, emerging, and frontier industries as well as dealing with core national security concerns. The overwrought trade and industrial policy warriors, be it in the White House or in the commentariat, *need to chill*.

### [Expanded Reading]

- [IMF upgrades Asia's growth forecast, warns of risks from US-China tension](#), Reuters, October 16, 2025
- [IMF more upbeat about US growth than just months ago, but outlook is dimmer than last year](#), Associated Press, October 14, 2025
- [IMF lifts growth outlook on more benign tariffs as revived US-China trade war looms](#), Reuters, October 14, 2025
- [U.S. consumers bearing more than half the cost of tariffs so far, Goldman Sachs says](#), NBC News, October 13, 2025
- [World Economy Faces Triple Risk of Tariffs, AI Bubble and Soaring Debt](#), Bloomberg, October 12, 2025

### 3 — Trump to Begin Asia Tour as Government Shutdown Stalls Trade Talks with Regional Partners — 3

#### [In One Sentence]

- The upcoming ASEAN summit hosted by Malaysia has become a diplomatic gamble for Prime Minister Anwar Ibrahim as President Trump's attendance, initially hailed as a triumph, now risks controversy.
- Indonesia's Economy Minister Airlangga Hartarto said negotiations on a U.S.–Indonesia trade deal have been paused due to the U.S. government shutdown, delaying progress on finalizing tariff exemptions and legal details until talks with the U.S. Trade Representative can resume.
- The U.S. government shutdown has forced the Agriculture Department to halt trade negotiations and cancel Agriculture Secretary Brooke Rollins' planned trade mission to Japan, disrupting efforts to expand agricultural exports and deepening concerns over economic strain and stalled market access faced by U.S. farmers from Trump's tariffs.

#### [Mark the Essentials]

- The U.S. and Japan are arranging a possible visit by President Trump to Tokyo in late-October as both sides work to finalize the implementation of their tariff agreement and address remaining trade and investment matters.
- The United States Court of International Trade has paused several lawsuits over antidumping (AD) and countervailing duty (CVD) rates on solar-cell components from Malaysia, Vietnam, Cambodia, and Thailand, after the Justice Department said the federal government shutdown prevents Commerce Department staff from defending the cases. In turn, this delays challenges to Commerce's 2024 rule that allows trade remedies for transnational subsidies until after the shutdown ends.
- Indonesian President Prabowo Subianto asked U.S. President Trump if he could meet Trump's son Eric or Donald Trump Jr. after a Gaza summit in Egypt, a conversation that raised questions about potential links to the Trump Organization's stalled resort projects in Indonesia developed with longtime partner Hary Tanoesoedibjo's MNC Group.
- At Singapore's TOKEN2049 conference on October 1-2, attendees celebrated the booming crypto market in Asia. Conference speakers including Donald Trump Jr. and Treasury Secretary Scott Bessent predicted a trillion-dollar stablecoin market and praised President Trump's pro-crypto policies for reviving the U.S. crypto industry and cementing its global leadership.
- Global pharmaceutical stocks fell on September 26 after President Donald Trump announced 100% tariffs on branded and patented drugs imported into the U.S. starting Oct. 1, unless companies build manufacturing plants in the U.S.
- European shares were largely resilient due to major firms' multibillion-dollar U.S. investments and an EU–U.S. trade agreement capping tariffs at 15%.
- Asian pharmaceutical stocks fell sharply after the pharma tariff, with differing effects on each Asian trading partner. Japan and South Korea are largely shielded by existing trade-deal safeguards; India is likely spared from the tariff because it mainly exports generics; while Singapore is the most exposed due to its focus on high-value patented drugs, unless its firms expand manufacturing in the U.S.

#### [Expanded Reading]

- [Indonesian President Asks Trump for Meeting with Son Eric in 'Hot Mic' Moment](#), *Reuters*, October 14, 2025

- [Malaysia Braces for Volatile Asean Summit with Trump Centre Stage](#), *South China Morning Post*, October 12, 2025
- [Airlangga: U.S. Government Shutdown Stalls Indonesia-U.S. Trade Negotiations](#), *Indonesia Business Post*, October 7, 2025
- [Trade Court Pauses Litigation Over ‘Transnational’ AD/CVD Solar Rates](#), *Inside U.S. Trade*, October 7, 2025
- [U.S. Federal Shutdown Affects Americans in Japan and Diplomatic Talks](#), *The Japan Times*, October 2, 2025
- [Ziplines, DJs and Trump: Singapore’s Crypto Conference Has Attendees Roaring](#), *Reuters*, October 2, 2025
- [Why Trump’s 100% Drug Tariffs Could Hit Asia and Europe Very Differently](#), *CNBC*, October 26, 2025
- [Asian Pharma Stocks Extend Declines after Trump Slaps 100% Levies on Branded Drugs](#), *CNBC*, September 26, 2025
- [U.S. To Impose 100% Tariff on Branded, Patented Drugs Unless Firms Build Plants Locally, Trump Says](#), *CNBC*, September 25, 2025
- [Exclusive: Trump Poised To Add Japan Stop To Upcoming Asia Trip](#), *Reuters*, September 24, 2025

## On the Hill



### [Legislative Developments]

- Seven U.S. senators led by Ron Wyden (D-OR) reintroduced a resolution to end President Trump’s national emergency declaration used to justify the global tariffs under the *International Emergency Economic Powers Act*, renewing efforts to curb his tariff authority after a previous repeal attempt failed. The measure faces procedural barriers in the House and a likely presidential veto.
- Senate Foreign Relations Committee Chair Jim Risch (R-ID) introduced the *Deter PRC Aggression Against Taiwan Act*, which would establish a State and Treasury-led “China Sanctions Task Force” to coordinate U.S. and allied economic measures—including potential sanctions and export controls—to prepare for and mitigate the impact of any Chinese attempt to take control of Taiwan.
- A new House bill titled the *Prioritizing Offensive Agricultural Disputes and Enforcement Act* introduced by Rick Crawford (R-AK) would establish an interagency Agricultural Trade Enforcement Task Force to identify and challenge foreign trade barriers to U.S. agricultural exports through WTO and trade agreement dispute mechanisms, with a particular focus on India’s minimum price support programs, which the bill says violate WTO commitments and distort global markets.
- The Senate-passed fiscal year 2026 *National Defense Authorization Act* includes the *FIGHT China Act*, which restricts or requires notification of U.S. investments in sensitive Chinese technologies, and the *GAIN AI Act*, which prioritizes U.S. customers for advanced semiconductor exports, alongside new measures expanding federal scrutiny of foreign land and agricultural investments linked to national security.

### [Hearings and Statements]

- The House Select Committee on China urged the Trump administration to “dramatically” expand export controls on semiconductor manufacturing equipment, both domestically made and produced overseas, to block China’s access to advanced tools.
- On October 8, 19 U.S. lawmakers wrote a letter to President Donald Trump urging him to “reset and repair” the India-U.S. “critical partnership” and “review” his tariff policy and continue “dialogue with the Indian leadership.”
- In an October 3 letter to Commerce Secretary Howard Lutnick and U.S. Trade Representative Jamieson Greer, Sen. Rick Scott (R-FL) urged the Trump administration to take “decisive action” by expanding newly imposed Section 232 pharmaceutical duties to include tariffs on foreign generic medicines and their ingredients.

- Senate Finance Committee ranking member Ron Wyden (D-OR) blamed Commerce Secretary Howard Lutnick for the Trump administration's termination of the *de minimis* threshold, saying the move caused "mass disruptions" and higher costs for businesses and consumers.

### [Expanded Reading]

- [Wyden, Paul, Schumer, and Kaine Introduce Bipartisan Legislation to Repeal Global Tariffs and Restore Congressional Authority Over Trade](#), United States Senate Committee on Finance, October 9, 2025
- [Senate Passes China Investment Curbs, Housing Bill as Part of Defense Legislation](#), *Politico*, October 9, 2025
- [19 US lawmakers urge Trump to 'reset and repair' ties with India](#), *IANS*, October 8, 2025
- [House China panel calls for stronger restrictions on chip 'toolmakers'](#), *The Hill*, October 8, 2025
- [Risch Introduces Deter PRC Aggression Against Taiwan Act to Defend Taiwan](#), Foreign Relations Committee, October 6, 2025
- [Reps. Crawford, Carter, Higgins Introduce the Prioritizing Offensive Agriculture Disputes and Enforcement Act](#), Rick Crawford, October 3, 2025
- [Sen. Rick Scott Asks Trump Admin to Secure U.S. Supply Chain and Address America's Overreliance on Foreign Generic Drug Imports in 232 Investigation](#), Rick Scott, October 3, 2025
- [Wyden Questions Commerce Department About Rushed, Bungled Changes to "De Minimis" Importation Rule for Low-Value Packages](#), United States Senate Committee on Finance, October 3, 2025