Trump’s Trade War with China Hits Home: China Wins and America Pays

Minority Staff Report prepared for Sen. Elizabeth Warren, Ranking Member, Senate Committee on Banking, Housing, and Urban Affairs

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Executive Summary

President Donald Trump once said that "trade wars are good, and easy to win."[1] Ten months into his second term, the evidence tells a dramatically different story. The President is losing a self-inflicted trade war: his tariffs are imposing significant costs on American consumers and businesses; devastating farmers and rural economies with weaker export markets and higher production costs; and giving China increased leverage over U.S. and global trade. China is eating our lunch, and the American people are paying for it.

When President Trump meets with Chinese President Xi Jinping in South Korea this week, the United States will arrive with a weak hand. Since President Trump first threw the global economy into chaos with his universal tariffs, he has failed to secure any meaningful wins from China and has continually ceded ground to China in ways that make America less prosperous and less secure. The pattern is clear and consistent: Americans pay higher costs while China extracts concessions, and American families, farmers, and businesses suffer the consequences.

On April 2, 2025, President Trump announced sweeping global tariffs. The Executive Order he signed that day imposed a 10 percent baseline tariff on nearly every country, plus additional reciprocal tariffs on China and other selected countries—bringing total U.S. tariffs on Chinese goods to 54 percent.[2] The Trump Administration argued its trade war would restore American manufacturing, reduce the trade deficit, and curtail Beijing's economic influence.[3] But the impact has been the opposite.

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[1] Post on X by Donald J. Trump, March 2, 2018, https://x.com/realDonaldTrump/status/969525362580484098.

[2] The White House, "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits," Executive Order, April 2 2025, https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/; Time, "A Timeline of the U.S.-China Trade War So Far," Chad de Guzman, June 27, 2025, https://time.com/7292207/us-china-trade-war-trump-tariffs-timeline/.

[3] The White House, "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits," Executive Order, April 2 2025,

This report assesses the economic and strategic impacts of the Trump Administration's trade policy toward China and presents three main findings:

Finding 1: Trump's trade wars have imposed significant costs on American consumers and businesses. President Trump promised to lower costs on "day one" of his Administration. But his chaotic tariffs and economic policies have driven inflation higher, rapidly raising grocery and consumer goods prices, and created economic uncertainty that has frozen hiring. American consumers are estimated to be absorbing more than half of the cost of Trump's tariffs. Rather than reviving manufacturing as promised, Trump's strategy has also caused the sector to shed 42,000 jobs and manufacturing employment has contracted for four straight months—the longest monthly streak of losses since early 2020.

Finding 2: Trump's trade wars have sold out American farmers. Chinese retaliation in the agricultural sector has devastated rural communities, with U.S. soybean exports to China collapsing from $12.6 billion in 2024 to just $2.5 billion in the first half of 2025—and China is on track to purchase $10 billion less in total this year. Simultaneously, Trump's tariffs have raised costs on farm inputs like fertilizer and equipment, squeezing farmers from both sides. Production costs for fertilizer alone have increased by more than 16 percent over the last year. The Trump Administration has no solution to reduce Xi Jinping's leverage over American farmers—and is making matters worse by providing billions to Argentina despite that country cutting a deal with China that directly undercuts American agricultural interests.

Finding 3: Trump has strengthened China's hand while weakening America's leverage. China's exports continue growing despite U.S. tariffs, reaching record trade surpluses by routing goods through third countries. In September alone, China's exports to Africa increased 56.4%, to Southeast Asia by 15.6%, and to the EU by 14%. Beijing has weaponized rare earth controls to inflict sustained pain on U.S. manufacturers while Trump has surrendered hard-won leverage in other domains—reversing export controls on sensitive AI chips, refusing to sanction Chinese firms supporting Russia's war effort, and abandoning pressure on Beijing's military buildup near Taiwan. The emerging dynamic is unmistakable: Xi extracts leverage, Trump makes concessions.

Background: Trump's Broken Promise to Strengthen Economic and National Security

For the past several decades, China has utilized non-market policies and practices to steal industries and dominate markets at the expense of U.S. workers and American prosperity. These policies and practices have included intellectual property theft, forced technology transfer, and

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https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/.

unfair market access rules.[4] Previous presidents of both parties have tried to hold Beijing accountable with varying degrees of success. President Trump may be the first President to have succeeded in accomplishing the opposite outcome: undertaking actions so counterproductive that they are increasing China's economic dominance and imposing pain on American workers and farmers.

Since returning to office, the Trump Administration has imposed sweeping tariffs on Chinese imports, with rates in some categories exceeding 100 percent. In April 2025, the Administration raised tariffs on China from 20 percent to 54 percent.[5] So followed the Trump Administration's chaotic "on-again-off-again" tariffs, with tariffs on China reaching 145 percent at one point.[6] The Trump Administration justified its tariff campaign on three grounds. First, officials cited China's intellectual property theft and industrial subsidies—concerns shared across partisan lines and by previous administrations.[7] Second, the President pledged to close the U.S.-China trade deficit, which he characterized as evidence of unfair practices.[8] Third, the Administration promised that tariffs would revive American manufacturing, create jobs, and encourage companies to "reshore" production to the United States.[9]

However, the Administration quickly changed its tune when faced with China's retaliation. China responded immediately with retaliatory duties on U.S. exports.[10] It also responded asymmetrically. Beijing imposed far-ranging controls on the exports of rare earth materials that impacted U.S. automakers and defense companies.[11] It added several dozen U.S. firms to its "unreliable entities" list, which bars companies from investing in or buying from China, and it slashed purchases of U.S. agricultural products and energy.[12] These actions, in contrast with the

[4] Office of the United States Trade Representative, "2018 Special 301 Report," pg. 44 https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf.
[5] Time, "A Timeline of the U.S.-China Trade War So Far," Chad de Guzman, June 27, 2025, https://time.com/7292207/us-china-trade-war-trump-tariffs-timeline/.
[6] *Id.*
[7] Biden White House, "FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices," May 14, 2024, bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/.
[8] The White House, "Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security," April 2, 2025, https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/.
[9] *Id.*
[10] Time, "A Timeline of the U.S.-China Trade War So Far," Chad de Guzman, June 27, 2025, https://time.com/7292207/us-china-trade-war-trump-tariffs-timeline/.
[11] Reuters, "China hits back at US tariffs with export controls on key rare earths," Lewis Jackson, Amy Lv, Eric Onstad and Ernest Scheyder, April 4, 2025, https://www.reuters.com/world/china-hits-back-us-tariffs-with-rare-earth-export-controls-2025-04-04/.
[12] Wall Street Journal, "China Adds 15 American Companies to Export-Control List," Liza Lin, Mar. 4, 2025, https://www.wsj.com/livecoverage/trump-tariffs-canada-mexico-china-stock-market-today-03-04-2025/card/china-adds-15-american-companies-to-export-control-list-zkD7dJ4hjqOCJSYdBT9h.

Trump Administration's chaotic "on-again-off-again" tariffs, were designed to inflict maximum pain and give Beijing leverage. In mid-2025, the Trump Administration agreed to a temporary trade truce, reducing tariffs from 145 percent to 30 percent in certain categories.[13] However, Beijing did not relent on its non-tariff responses.

Despite President Trump's talk about an impending 'deal' with Xi, it is clear who has the upper hand: China continues to impose pain on American businesses and farmers, and last month China upped-the-ante by imposing even broader controls on rare earths.[14] In a sign of his dwindling leverage, President Trump is no longer planning to make progress on China's unfair trade practices or help American workers in his upcoming talks with President Xi.

Finding 1: Trump's trade wars have imposed significant costs on American consumers and businesses.

The Trump Administration's trade war was sold as a tough-minded strategy to "rebuild the economy" and protect American interests.[15] In practice, it has delivered the opposite: collapsing manufacturing employment, higher consumer prices, and deepening economic uncertainty. These costs ripple through the entire economy, weakening America's position.

American Families Are Paying the Price

Despite promising to lower costs for consumers "on day one" of his second term, President Trump's sweeping tariffs have made life more expensive for American families. Between January and April, year-over-year Consumer Price Index (CPI) inflation was slowing, but it has rebounded since May—after Trump announced his universal tariffs.[16] Last week, CPI data showed that inflation increased by 3 percent year-over-year in September, the highest rate since May 2024.[17]

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[13] CNN, "US and China agree to drastically roll back tariffs in major trade breakthrough," Nectar Gan, Auzinea Bacon, and Juliana Liu, May 12, 2025, https://www.cnn.com/2025/05/12/business/us-china-trade-deal-announcement-intl-hnk.

[14] Reuters, "China expands rare earths restrictions, targets defense and chips users," October 10, 2025, https://www.reuters.com/world/china/china-tightens-rare-earth-export-controls-2025-10-09/.

[15] The White House, "Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security," April 2, 2025, https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/.

[16] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPIAUCSL, October 28, 2025.

[17] *Id.*

According to Goldman Sachs, U.S. consumers are absorbing up to 55 percent of tariff costs.[18] Core goods inflation—which includes physical products like clothing, furniture, electronics, appliances, and cars, but excludes food and energy—increased 1.5 percent over the year in September, continuing its upward trend since January.[19] Goods, as compared to services, are most directly affected by tariffs as businesses pass costs to consumers. Throughout 2024, year-over-year core goods inflation was negative; from January to March 2025, it hovered around zero; and starting in April, it accelerated.[20]

Grocery inflation has also been trending much higher this year than in 2024 as food imports are hit by tariffs.[21] Fruit and vegetable inflation had fallen during the first few months of the year, but, since April, has increased by 2.8 percent, faster than overall inflation.[22]

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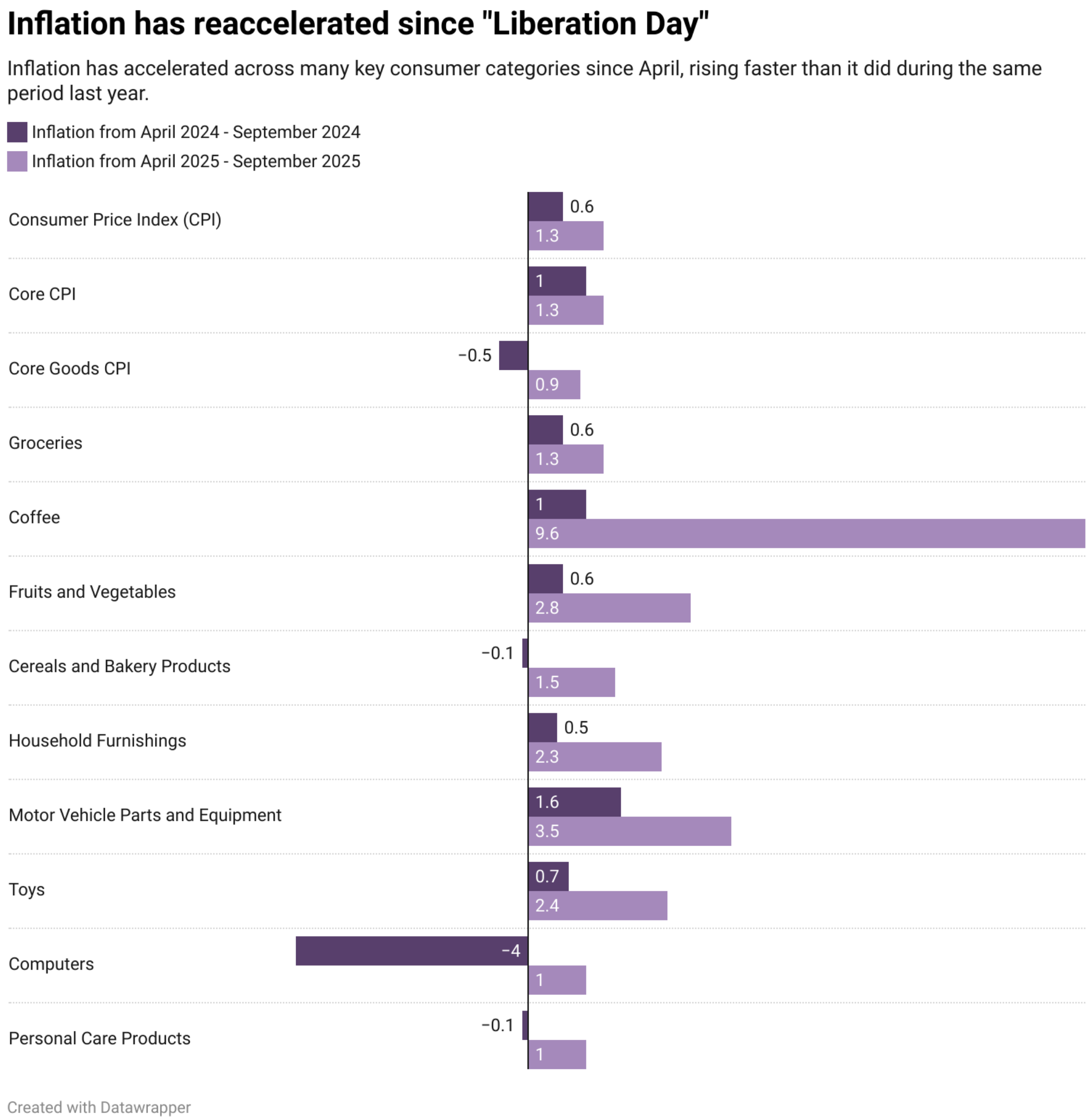
[18] NBC News, "U.S. consumers bearing more than half the cost of tariffs so far, Goldman Sachs says," Rob Wile, October 13, 2025, https://www.nbcnews.com/business/consumer/us-consumers-bearing-half-cost-tariffs-far-goldman-sachs-says-rcna237283.

[19] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Commodities Less Food and Energy Commodities in U.S. City Average [CUSR0000SACL1E], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CUSR0000SACL1E, October 28, 2025.

[20] *Id.*

[21] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Food at Home in U.S. City Average [CUSR0000SAF11], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CUSR0000SAF11, October 28, 2025.

[22] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Fruits and Vegetables in U.S. City Average [CUSR0000SAF113], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CUSR0000SAF113, October 28, 2025.



Source: Staff calculations using Bureau of Labor Statistics—Consumer Price Index Data. See e.g., U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Fruits and Vegetables in U.S. City Average [CUSR0000SAF113], retrieved from FRED, Federal Reserve Bank of St. Louis.

It's clear that Trump's tariffs have contributed to rising prices. Federal Reserve Chair Jerome Powell said in a September press conference that tariffs are contributing 0.3-0.4% to inflation.[23] A survey of American Chief Financial Officers suggests that "inflation could have been about a third lower this year without President Donald Trump's historically high tariffs."[24] While these numbers can seem small or abstract, they translate into major costs for American households.

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[23] Board of Governors of the Federal Reserve System, "Transcript of Chair Powell's Press Conference," September 17, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250917.pdf.
[24] CNN, "Inflation could be a third lower without tariffs, financial decision makers say," Matt Egan, September 24, 2025, https://www.cnn.com/2025/09/24/business/trump-trade-prices-economy-survey.

Studies suggest that President Trump's tariffs are costing American families around $1,500 more per year and disproportionately harming lower- and middle-income households that spend a greater share of their incomes on essential goods.[25]

These price increases drain household budgets and reduce living standards—all while Trump claims false victory and China expands its global market share.

The Manufacturing Sector Is Hemorrhaging Jobs

President Trump frequently cited the need to revive U.S. manufacturing as justification for his trade war, claiming tariffs would create "millions and millions" of new manufacturing jobs.[26] The reality has been precisely the reverse. Trump's chaotic tariffs have made manufacturers less profitable by raising costs for component parts while simultaneously destroying export demand as other countries impose retaliatory tariffs.

Since Trump's "Liberation Day" announcement, manufacturing employment has fallen by at least 42,000 jobs and contracted for four straight months, the longest streak since early 2020.[27] After trending upward for most of 2021-2024, real private investment in construction spending for manufacturing facilities has fallen in 2025, including by nearly $3 billion in the second quarter when Trump announced his sweeping tariffs.[28] Trump's tariffs have discouraged investment and expansion—including plans to reshore manufacturing firms. One American auto supplier abandoned plans to relocate its factory from China to Michigan, citing Trump's trade policy as the reason.[29]

According to the Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI), the U.S. manufacturing sector contracted for a seventh consecutive month in September.[30] The survey also indicated that suppliers are taking longer to deliver materials to

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[25] *See e.g.*, Yale Budget Lab, "State of U.S. Tariffs: October 17, 2025," October 17, 2025, https://budgetlab.yale.edu/research/state-us-tariffs-october-17-2025; Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War," Erica York and Alex Durante, October 27, 2025, https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/.

[26] PBS news, "WATCH: Trump talks tariffs and taking other countries' jobs but offers few details," September 24, 2025, https://www.pbs.org/newshour/politics/watch-live-trump-delivers-campaign-remarks-in-savannah-ga.

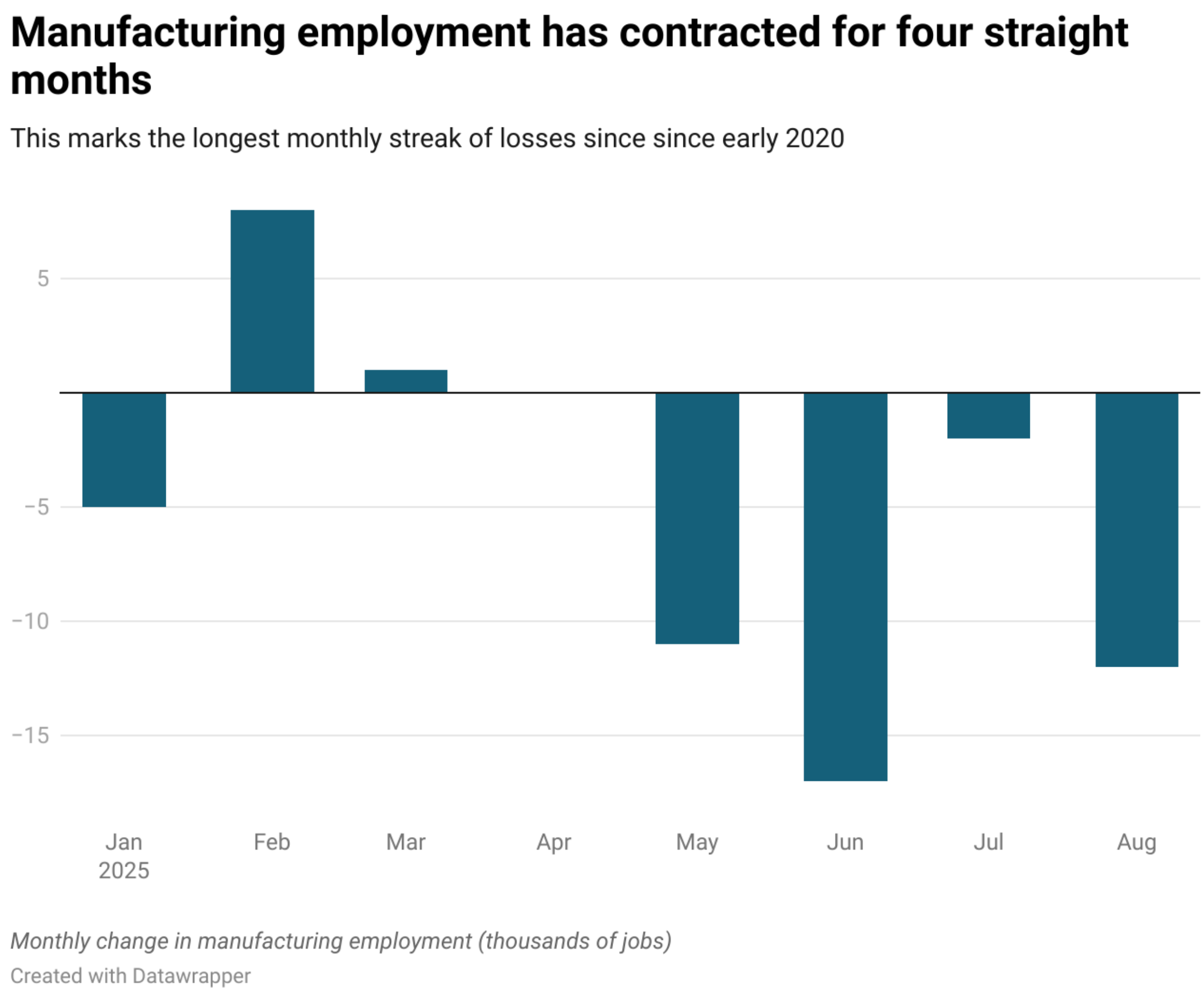
[27] U.S. Bureau of Labor Statistics, All Employees, Manufacturing [MANEMP], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MANEMP, October 28, 2025.

[28] U.S. Bureau of Economic Analysis, Real private fixed investment: Nonresidential: Structures: Manufacturing [C307RX1Q020SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/C307RX1Q020SBEA, October 28, 2025.

[29] Crain's Detroit Business, "Auto supplier scraps $50M Detroit factory plan as tariffs drive up costs," Kurt Nagl, September 22, 2025, https://www.crainsdetroit.com/auto-suppliers/lucerne-scraps-50m-detroit-factory-plan-tariffs-costs.

[30] Institute for Supply Management, September 2025 ISM Manufacturing PMI Report, October 2025, https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/september/.

factories.[31] In its August survey, "some manufacturers describ[ed] the current business environment as 'much worse than the Great Recession.'"[32]



Source: U.S. Bureau of Labor Statistics, All Employees, Manufacturing [MANEMP], retrieved from FRED, Federal Reserve Bank of St. Louis.

Far from "reviving" U.S. manufacturing, Trump's trade war has exposed how dependent American industry remains on global supply chains—and how sweeping tariffs, without strong industrial policy to build up domestic supply chains, can weaken rather than strengthen our competitiveness.

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[31] *Id.*

[32] Reuters, "US manufacturing contracts for sixth straight month amid tariff drag," Lucia Mutikani, September 2, 2025, https://www.reuters.com/business/us-manufacturing-contracts-sixth-straight-month-amid-tariff-drag-2025-09-02/.

Economic Uncertainty Is Crushing Hiring Across the Economy

The Trump Administration's tariff policies have weakened the labor market beyond the manufacturing sector, with unemployment reaching its highest level since the pandemic.[33] Elevated policy uncertainty from Trump's trade war has slowed economic growth and job creation across the economy.[34] Companies struggle to plan when they don't know what tariff rates will apply next month or how policies will impact their costs. This unpredictability has caused employers to become increasingly reluctant to expand workforces.

According to data from the Bureau of Labor Statistics, job openings relative to total employment are at five-year lows, with hiring rates matching levels last seen in over a decade.[35] Between May and August, the U.S. economy has added just 27,000 jobs on average per month—far below the preceding 12-month average—and lost 13,000 jobs in June, the first monthly decline since December 2020.[36]

Job placement firm Challenger, Gray & Christmas projects that holiday hiring in the final three months of 2025 will be the weakest seasonal increase in 16 years due to continued elevated economic uncertainty and higher prices from tariffs.[37] The Federal Reserve's October Beige Book, which compiles on-the-ground insights on economic conditions across the country, provides additional evidence that hiring is stalled due to tariff-induced uncertainty. One district noted that some manufacturing firms "kept head counts steady because of uncertainty, and one shed workers to offset tariff-related cost increases."[38]

This hiring freeze compounds the damage from Trump's trade war: families face higher prices while job growth stalls, eroding economic security.

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[33] U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, October 28, 2025.

[34] The New York Times, "Tariff Uncertainty Expected to Slow Global Economic Growth This Year," Liz Alderman, September 23, 2025, https://www.nytimes.com/2025/09/23/business/global-economy-trump-tariffs.html.

[35] CNN, "There may not be a jobs report at all this week — so economists are homing in on this data instead," Alicia Wallace, September 30, 2025, https://www.cnn.com/2025/09/30/economy/us-jolts-job-openings-layoffs-turnover-august; Post on Bluesky by Elise Gould, September 30, 2025, https://bsky.app/profile/elisegould.bsky.social/post/3m22qa7i7x22v.

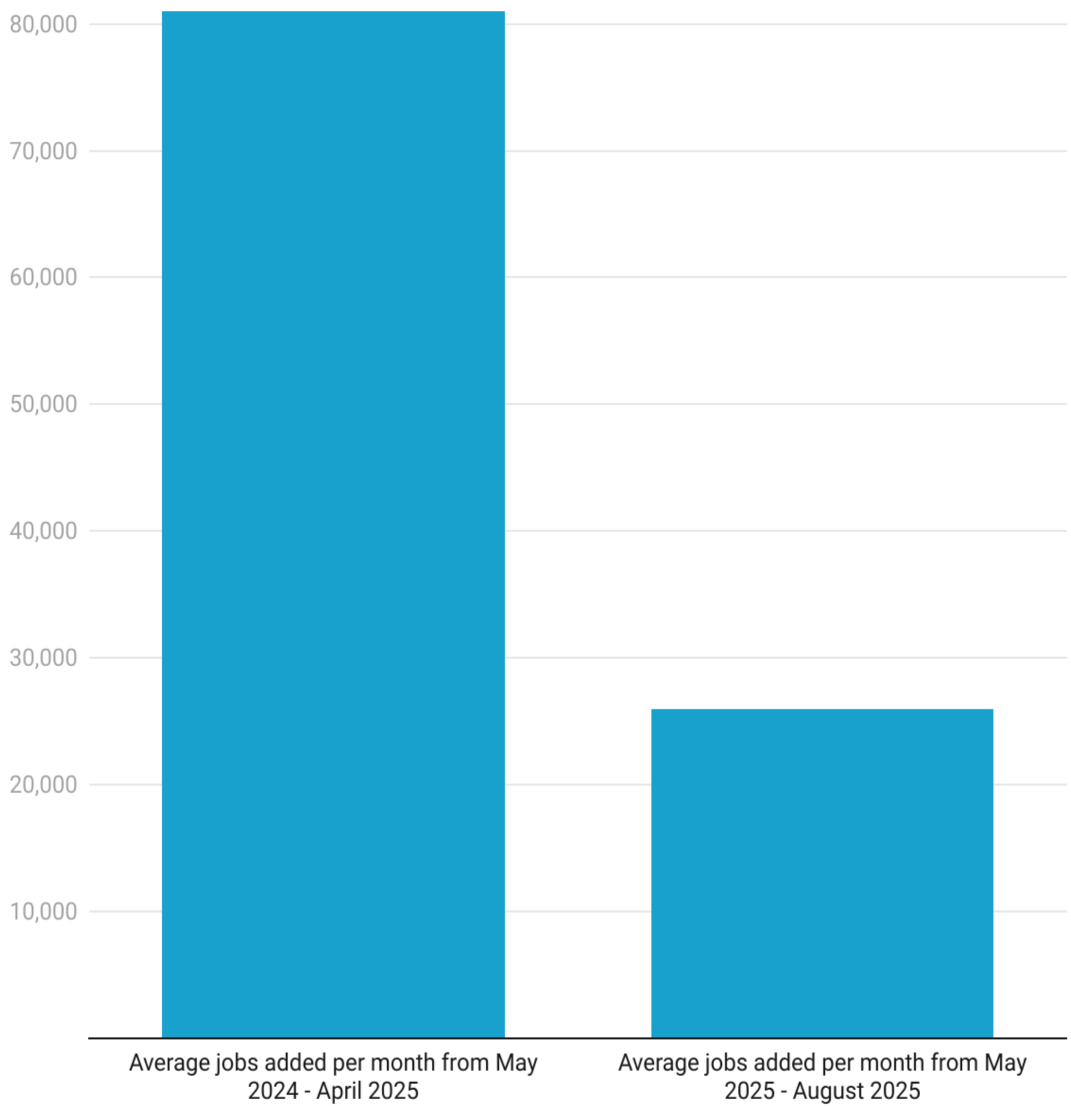
[36] U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, October 28, 2025; NBC News, "The U.S. created 911,000 fewer jobs than previously thought in the 12 months through March," Steve Kopack, September 9, 2025, https://www.nbcnews.com/business/economy/911000-fewer-jobs-created-april-2024-march-2025-bls-says-rcna230065.

[37] CNBC, "Seasonal retail hiring to fall to lowest level since 2009, signaling trouble for holidays, report says," Gabrielle Fonrouge, September 24, 2025, https://www.cnbc.com/2025/09/24/seasonal-hiring-2025-to-fall-to-lowest-level-since-2009-recession.html.

[38] United States Federal Reserve System, "The Beige Book: Summary of Commentary on Current Economic Conditions by Federal Reserve District, October 2025," October 15, 2025, https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20251015.pdf.

U.S. economy has added fewer than 27,000 jobs per month since May, one month after Trump announced his sweeping tariffs

In the 12 months prior, from May 2024 to April 2025, the U.S. economy added more than 80,000 jobs per month



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Source: Staff calculations using Bureau of Labor Statistics employment data, including data from the BLS annual benchmark revisions.

Finding 2: Trump's Trade Wars Have Sold Out American Farmers

The Trump Administration promised to protect and boost U.S. farmers. Instead, the Administration's tariff policies have produced catastrophic results: lost export markets, soaring input costs, and paralyzing uncertainty. This represents one of the clearest examples of Trump's failed strategy—and how his actions have strengthened China's hand while devastating American communities.

China Shut the Door on America's Farmers—And Found New Suppliers

Rather than shielding farmers, Trump's tariffs triggered immediate Chinese retaliation that decimated America's agricultural export markets. U.S. soybean exports to China—historically the largest destination for American soybeans—collapsed from $12.6 billion in 2024 to just $2.5 billion in the first half of 2025.[39] In May 2025, U.S. soybean exports to China fell to zero, while shipments from Brazil and Argentina to China surged to fill the gap.[40] Soybean farmers who relied heavily on Chinese demand have seen prices fall—which, as the Farm Bureau reports, is "cutting into farm revenues despite strong harvests."[41]

With reduced export revenues and higher input costs, farmers have less capital to invest in equipment, land improvements, or expansion. Across the country, farm bankruptcies have increased as producers struggle to service debt amid declining incomes.[42] Despite remaining historically low, farm bankruptcies surged in the first half of this year, climbing from 101 in the second half of 2024 to 181—a near doubling in just six months.[43]

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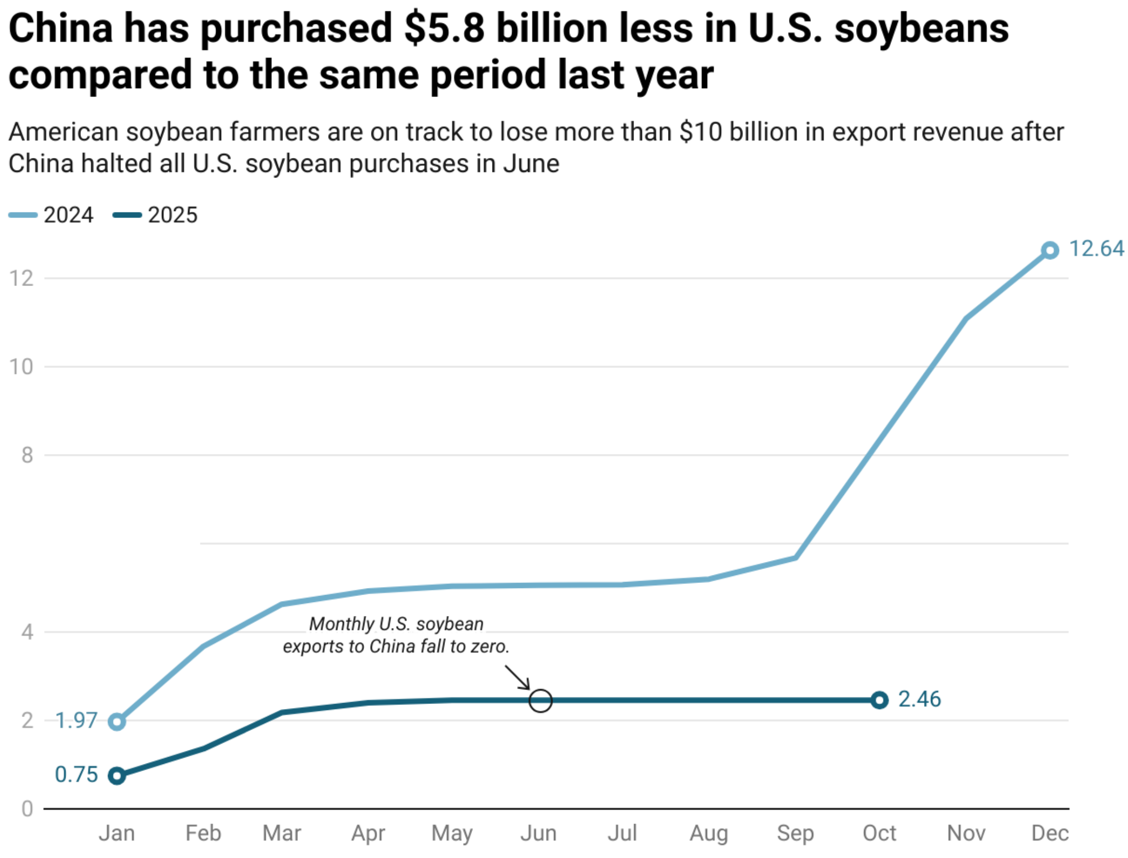
[39] The New York Times, "China Bought $12.6 Billion in U.S. Soybeans Last Year. Now, It's $0.," Kevin Draper, September 25, 2025, https://www.nytimes.com/2025/09/25/business/china-soybean-sales-farmers.html; Reuters, "US soybean farmers, deserted by big buyer China, scramble for other importers," Tom Polansek, October 3, 2025, https://www.reuters.com/world/china/us-soybean-farmers-deserted-by-big-buyer-china-scramble-other-importers-2025-10-03/.

[40] *Id.*

[41] Farm Bureau, "Agricultural Trade: China Steps Back from U.S. Soybeans," Faith Parum, October 2, 2025, https://www.fb.org/market-intel/agricultural-trade-china-steps-back-from-u-s-soybeans.

[42] Federal Reserve Bank of Minneapolis, "Farm bankruptcies have increased in the Ninth District, keeping some farmers afloat," Joe Mahon, September 25, 2025, https://www.minneapolisfed.org/article/2025/farm-bankruptcies-have-increased-in-the-ninth-district-keeping-some-farmers-afloat.

[43] *Id.*



Cumulative monthly U.S. soybean exports to China (billions of dollars)

Source: • Created with Datawrapper

Source: United States Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System.

The damage extends beyond immediate losses. China is actively diversifying away from U.S. suppliers, building long-term relationships with competitors in South America. In anticipation of Trump's tariffs, China shifted away from U.S. soybeans to those from Brazil in January.[44] Brazil's share of China's soybean imports has jumped from 46 percent to 76 percent since 2016.[45] Making matters worse, the Trump Administration is channeling $40 billion to Argentina—despite that country cutting a deal with China that directly undercuts American soybean

[44] Reuters, "Chinese buyers switch to cheaper Brazilian soybeans ahead of Trump return," Naveen Thukral, Ella Cao, and Mei Mei Chu, January 17, 2025, https://www.reuters.com/markets/commodities/chinese-buyers-switch-cheaper-brazilian-soybeans-ahead-trump-return-2025-01-17/.

[45] Reuters, "China pivot from US farm imports bolsters it against trade war risks," Mei Mei Chu and Naveen Thukral, November 1, 2024, https://www.reuters.com/markets/commodities/china-pivot-us-farm-imports-bolsters-it-against-trade-war-risks-2024-11-01/; Reuters, "Brazil's soybean exports to hit record as US out of market, Chinese demand strong," Roberto Samora, October 8, 2025, https://www.reuters.com/sustainability/climate-energy/brazils-soybean-exports-hit-record-us-out-market-chinese-demand-strong-2025-10-08/.

farmers.[46] The sequence of events is particularly galling: Argentina temporarily suspended its export taxes on soybeans, then China purchased over 2.27 million tons of Argentine soybeans—the largest single-month purchase from Argentina in China's history—and immediately afterward, the Trump Administration announced the first phase of its massive bailout of Argentina's financial markets: a $20 billion loan to the Central Bank of Argentina.[47] This extraordinary move epitomizes Trump's failed approach: spending taxpayer dollars to support a country that is actively helping China lock in alternatives to American agricultural exports. As one American soybean farmer explained, "I turn the news on and we gave $20 billion of taxpayer money to Argentina, my competition."[48]

What was once America's export advantage is becoming a permanent loss of market share—one that will be difficult, if not impossible, to reclaim even if Trump's tariffs are lifted.[49] This shift gives China leverage over American farmers and the ability to source critical agricultural products from countries more willing to accommodate Chinese interests. Xi can now threaten to permanently reduce dependence on American agriculture and force Trump to make even more concessions.

Trump Tariffs Are Raising Costs for Farmers at Home

Tariffs aren't only affecting export markets—they're also raising costs for farmers by increasing prices for imported inputs and equipment.[50] Many farm inputs, including fertilizers, tractors, steel, and other equipment parts, are imported or rely on imported components.

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[46] The Wall Street Journal, "U.S. Banks Are Hunting for Collateral to Back $20 Billion Argentina Bailout," Alexander Saeedy and Santiago Perez, October 20, 2025, https://www.wsj.com/finance/argentina-bailout-banks-collateral-721bc2b5.

[47] Reuters, "Argentina suspends agro-export taxes to scoop up dollars," Maximilian Heath and Aida Pelaez-fernandez, September 22, 2025, https://www.reuters.com/world/americas/argentina-suspends-agro-export-taxes-scoop-up-dollars-2025-09-22/.; Reuters, "Exclusive: China buys Argentine soybeans after tax drop, leaving US farmers sidelined," Naveen Thukral and Ella Cao, September 23, 2025, https://www.reuters.com/world/china/chinese-buyers-book-least-10-argentine-soybean-cargoes-sources-say-2025-09-23/; Bloomberg, "China's Boost to Argentine Soy Buying Sidelines US Farmers," Alfred Cang and Hallie Gu, September 24, 2025, https://www.bloomberg.com/news/articles/2025-09-25/china-ramps-up-purchases-of-argentine-soybeans-to-35-cargoes; Post on X by Treasury Secretary Scott Bessent, September 24, 2025, https://x.com/SecScottBessent/status/1970821535507026177.

[48] Post on X by FactPost, October 3, 2025, https://x.com/factpostnews/status/1974173171868745948.

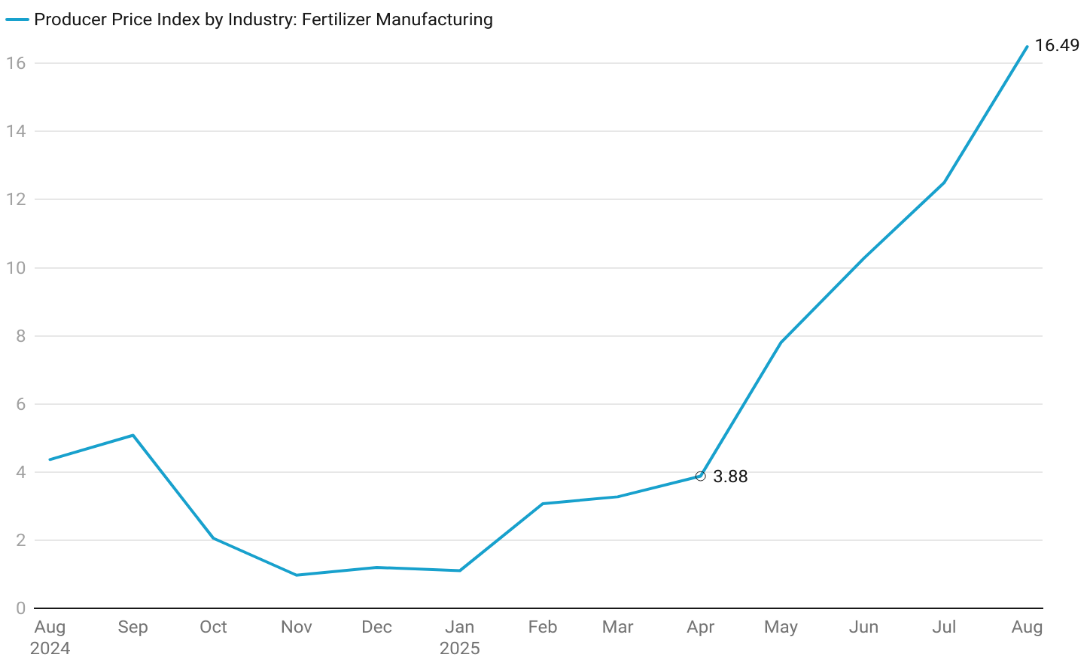
[49] Bloomberg, "China's Soybean Pivot Limits Payoff From Any New US Trade Deal," Gerson Freitas Jr and Erin Ailworth, October 28, 2025, https://www.bloomberg.com/news/articles/2025-10-28/china-s-soybean-pivot-limits-payoff-from-any-new-us-trade-deal.

[50] CNBC, "How tariffs are impacting farmers in America's heartland," DeLon Thorton, September 16, 2025, https://www.cnbc.com/2025/09/16/trump-tariffs-impacting-american-farmers.html.

According to a United States Department of Agriculture (USDA) report from March 2025, fertilizer prices were relatively stable heading into the spring.[51] Fertilizer is a key operating cost, and the stable fertilizer prices in 2025 were short-lived. Reporting in August indicated that tariffs had helped drive fertilizer prices to their highest relative levels since 2016, with fertilizer production costs rising more than 16 percent over the previous year, according to producer price index data.[52] Other inputs like farming equipment have also grown more expensive this year because of Trump's tariffs.[53]

Input costs for fertilizer have skyrocketed since President Trump announced his sweeping tariffs in April

The Producer Price Index for Fertilizer rose at an annual rate of 16.5% in August 2025, up from 3.9% in April and nearly six times more than overall PPI



Year-over-year PPI data

Created with Datawrapper

Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Fertilizer Manufacturing [PCU3253132531], retrieved from FRED, Federal Reserve Bank of St. Louis.

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[51] U.S. Department of Agriculture, Economic Research Service, "Fertilizer prices stable at onset of 2025 planting season, below highs of 2021 and 2022," Amy Boline, March 27, 2025, https://ers.usda.gov/data-products/charts-of-note/chart-detail?chartId=111221.

[52] Bloomberg, "Tariffs Squeeze Trump-Loving Farmers as Fertilizer Prices Soar," Gerson Freitas Jr, August 28, 2025, https://www.bloomberg.com/news/articles/2025-08-28/tariffs-squeeze-trump-loving-farmers-as-fertilizer-prices-soar; U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Fertilizer Manufacturing [PCU3253132531], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/PCU3253132531, October 28, 2025.

[53] CNBC, "How tariffs are impacting farmers in America's heartland," DeLon Thorton, September 16, 2025, https://www.cnbc.com/2025/09/16/trump-tariffs-impacting-american-farmers.html.

The result is a devastating squeeze: farmers face lower revenues from lost exports and higher costs for essential inputs. This double blow makes American agriculture less competitive globally—opposite of what Trump promised. And when American farmers are hurting from Trump's trade policies, it weakens Trump's negotiating position with Xi. China knows Trump faces mounting pressure from struggling farm communities to make concessions and end the trade war on Beijing's terms.

Finding 3: Trump Ceding Leverage is Emboldening Beijing and Hurting America

Almost a year into his term, President Trump has proven incapable of securing meaningful changes from China to help the American people and has failed to use his Administration's tools to exert meaningful pressure on China. The result is an emboldened China that understands it can impose pain on American businesses and extract leverage—all without facing substantial pushback. The emerging dynamic between Presidents Trump and Xi Jinping is clear: Xi extracts leverage, Trump makes concessions. Unless President Trump changes course quickly, this will be hugely damaging to long-term U.S. prosperity and security.

Sustained Export Growth Despite Tariffs

Contrary to President Trump's prediction that U.S. tariffs would cripple Chinese exports, China's global trade position is growing stronger. In September 2025, China's exports grew 8.3 percent year-over-year, exceeding forecasts.[54] China's trade surplus reached $114.7 billion in June 2025, up from $103.2 billion in May.[55] Even amid projections of slowing growth, China's export machinery has demonstrated remarkable resilience despite Trump's trade war.

Surging Chinese exports demonstrates the limits of the President's chaotic and unfocused use of tariffs as a trade tool. Tariff rates are determined by country of origin, and Chinese producers have found low-cost ways to obscure the origin of their goods by transshipping to third countries. Many Chinese goods have been exported to Vietnam, Malaysia, and Mexico, where they are relabeled and shipped to the United States as products of local origin. One study found that the fall in China's trade surplus with the United States has been fully offset by rising trade surpluses with other countries.[56] Trade surpluses rarely rise so sharply on their own, suggesting China is transshipping goods through third countries to circumvent U.S. tariffs.

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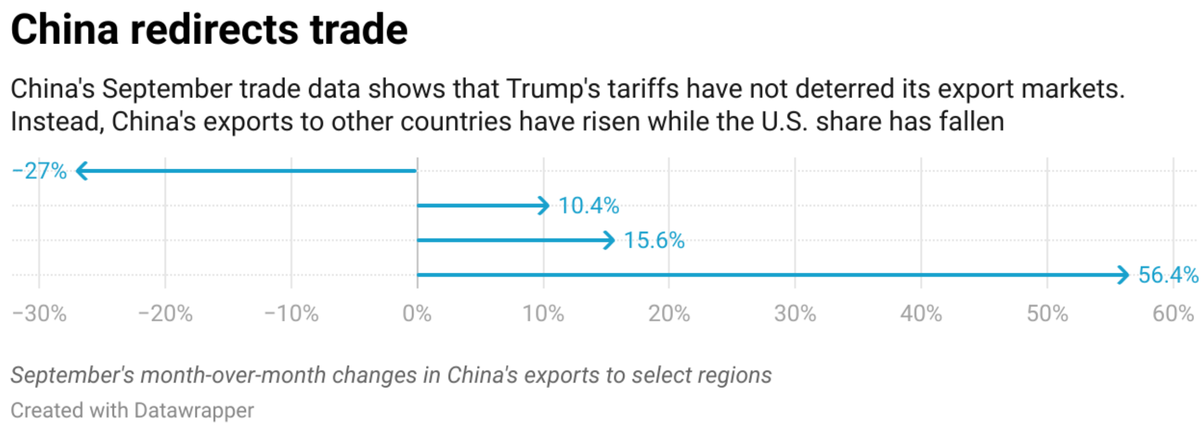
[54] Bloomberg, "Chinese Exports Surge, Giving Xi Stronger Hand in Trade Fight," October 12, 2025, https://www.bloomberg.com/news/articles/2025-10-13/china-s-exports-rise-faster-than-expected-as-trade-war-escalates.

[55] Reuters, "China's exporters rush to beat Trump's next big tariff deadline," Joe Cash and Ethan Wang, July 14, 2025, https://www.reuters.com/world/china/chinas-exports-imports-pick-up-trump-tariff-deadline-looms-2025-07-14.

[56] Brookings, "China's transshipment of goods to the US," Robin Brooks, June 20, 2025, https://www.brookings.edu/articles/chinas-transshipment-of-goods-to-the-us/



Source: CNBC summary of China's September Customs Data.

China is also finding success in other markets. China's exports are surging around the world, up 56.4 percent to Africa in September and 10.4 percent to the European Union.[57] Many of its fastest growing exports—electric vehicles, batteries, ships—do not rely on access to the U.S. market at all.[58] Rather than convincing other countries to raise trade barriers to penalize China for decades of unfair trade practices, Trump's tariffs have provided China with a golden opportunity to pull other countries further into China's economic orbit.

While the President continues to threaten raising tariffs on China, it is clear his tariff threats are no longer credible. Rather than bringing China to its knees, as the President predicted, his tariffs have shown China's strength, emboldening the country's leadership.

Beijing Rare Earth Controls Have Led to Sustained Pain and Leverage over U.S. Firms

Beijing has identified its own sources of leverage over the United States and has exploited them strategically. In April 2025, in response to the President's brinkmanship, China's Ministry of Commerce imposed draconian restrictions on the export of rare-earth metals, leading to far-ranging supply chain disruption and pain for manufacturing firms.[59] Rare-earth metals are used in everything from automobiles to turbines, electronics, and defense systems. In the United States, car factories came within weeks of shutting down due to a shortage of rare earth

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[57] CNBC, "China September exports beat expectations, imports rise at fastest pace since April 2024," October 12, 2025, https://www.cnbc.com/2025/10/13/china-september-exports-beat-expectations-imports-rise-at-fastest-pace-since-april-2024.html.

[58] Bloomberg, "Chinese Exports Surge, Giving Xi Stronger Hand in Trade Fight," October 12, 2025, https://www.bloomberg.com/news/articles/2025-10-13/china-s-exports-rise-faster-than-expected-as-trade-war-escalates.

[59] Reuters, "China hits back at US tariffs with export controls on key rare earths," Lewis Jackson, Amy Lv, Eric Onstad, and Ernest Scheyder, April 4, 2025, https://www.reuters.com/world/china-hits-back-us-tariffs-with-rare-earth-export-controls-2025-04-04/.

magnets.[60] This self-created crisis, rather than broader economic policy goals to help the American people, is now one of the main issues President Trump needs to address in his upcoming talks with President Xi.

Never before had Beijing waged such open economic warfare against the U.S. economy. Rather than responding decisively and using all tools available to convince Beijing to back down, the administration's ham-fisted response only further emboldened Beijing. The United States has many points of leverage over China, which relies on the United States for access to capital markets and advanced technology. Instead of exploiting these sources of dependence, the President engaged in a series of moves that included imposing export restrictions on widely available commodities.[61] These changes imposed few if any costs on Beijing but hurt American businesses.[62]

The President's failure has led Beijing to further tighten its grip over global supply chains. U.S. companies continue to face difficulties obtaining rare-earth metals from China, despite the President's claim that he extracted a commitment from Beijing to resume the flow of rare earths to the United States.[63] Companies have reported that, in order to receive rare-earth metals, Chinese officials have demanded they turn over sensitive proprietary data, including trade secrets and intellectual property–information that can be used to cement China's economic dominance and put manufacturers out of business.[64] Yet the Trump Administration has done little, if anything, to respond.

It should hardly come as a surprise, then, that Beijing this month has once again upped the ante, threatening to cut off an even broader set of rare earth metals and derivative products—including those made outside of China—unless the President makes concessions.[65]

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[60] Reuters, "Exclusive: Car makers warn China's rare-earth curbs could halt production," David Shepardson and Michael Martina, May 30, 2025, https://www.reuters.com/business/autos-transportation/china-magnet-pinch-threatens-car-production-automakers-warn-2025-05-30/.

[61] Reuters, "US curbs chip design software, chemicals, other shipments to China," Karen Freifeld, May 29, 2025, https://www.reuters.com/world/china/trump-tells-us-chip-designers-stop-selling-china-ft-reports-2025-05-28/.

[62] Center for Strategic and International Studies, "U.S.-China Trade Talks in London: Ethane Export Controls and the Need for Better Economic Statecraft," Philip Luck, June 9, 2025, https://www.csis.org/analysis/us-china-trade-talks-london-ethane-export-controls-and-need-better-economic-statecraft.

[63] Reuters, "Trump says China's Xi agreed to let rare earth minerals flow to US," Trevor Hunnicutt, June 5, 2025, https://www.reuters.com/world/china/trump-says-chinas-xi-agreed-restart-flow-rare-earth-minerals-2025-06-06; Reuters, "China is making it harder to get rare earth magnet export licenses, sources say," October 14, 2025, https://www.reuters.com/world/china/china-is-making-it-harder-get-rare-earth-magnet-export-licenses-sources-say-2025-10-14/.

[64] Rare Earth Exchange, "China Demands Sensitive Corporate Data in Exchange for Rare Earth Exports, Raising IP Alarm," June 12, 2025, https://rareearthexchanges.com/news/china-demands-sensitive-corporate-data-in-exchange-for-rare-earth-exports-raising-ip-alarm/; Bloomberg, "German Firms Hand Over Secrets That China Could Use for Leverage," Jenny Leonard, October 25, 2025, https://www.bloomberg.com/news/articles/2025-10-25/german-firms-hand-over-secrets-that-china-could-use-for-leverage.

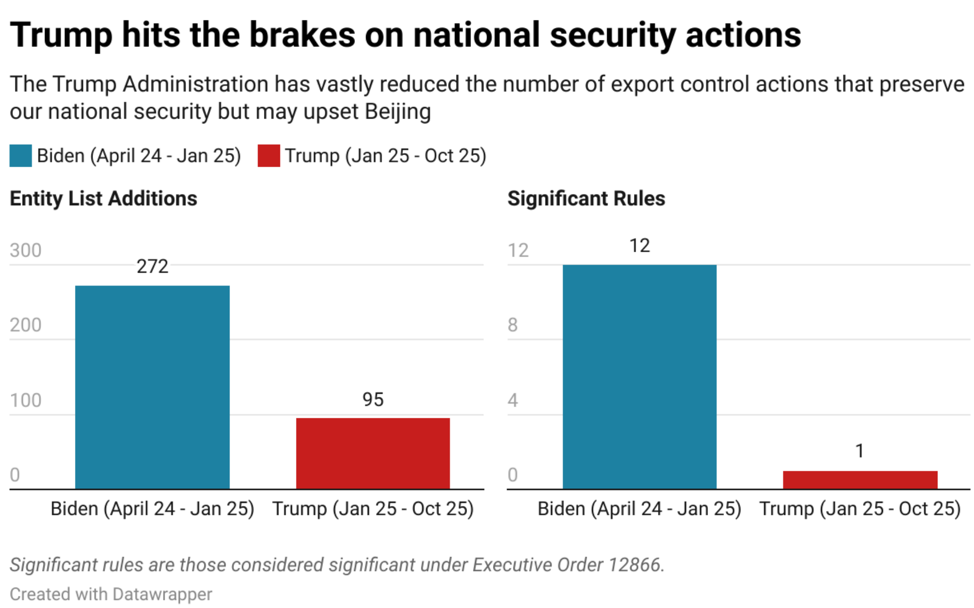
[65] Reuters, "China expands rare earths restrictions, targets defense and chips users," October 10, 2025, https://www.reuters.com/world/china/china-tightens-rare-earth-export-controls-2025-10-09/.

Trump Has Ceded Valuable Leverage

Even as Beijing aggressively builds leverage over the United States, the President has relinquished hard-earned leverage vital to U.S. national interest. From Taiwan and its military modernization efforts and support for Russia, China is actively working against U.S. interests around the world. Yet the President has given Beijing a free pass—while not seeking anything in return.

In July, the President reversed his administration's decision to impose export controls on sensitive chips that Beijing needs to use AI in its military.[66] At the time, Trump claimed the reversal was in return for China's commitment to restart rare earth shipments—but China has continued to make it close to impossible for U.S. businesses to obtain them and has only ratcheted up its threats to cut off more materials. But subsequent reporting showed that Nvidia's CEO had also aggressively lobbied the Administration and paid $1 million to dine with Trump.[67]

At the same time, the President, apparently afraid of upsetting President Xi, has refrained from regular-course-of business updates to export controls on critical technology like semiconductor manufacturing equipment. This stands in stark contrast with efforts before the Trump presidency to maintain a high cadence of export controls actions that protected U.S. interests while dissuading Beijing from retaliating.



Source: Analysis of Federal Register documents concerning export controls and China.

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66 Reuters, "Nvidia to boost H20 chip sales to China after US export restrictions ease," Che Pan and Casey Hall, July 16, 2025, https://www.reuters.com/world/china/nvidias-huang-hails-chinese-ai-models-world-class-2025-07-16.

67 NPR, "Trump says Nvidia will hand the U.S. 15% of its H20 chip sales to China," John Ruwitch, August 11, 2025, https://www.npr.org/2025/08/11/nx-s1-5498689/trump-nvidia-h20-chip-sales-china.

Similarly, the President has let up the pressure on Beijing for aiding Russia's war effort in Ukraine. The Administration itself has acknowledged that approximately 80 percent of Russia's dual-use imports come from China,[68] but for months it halted the previous Administration's practice of imposing sanctions or other penalties on Chinese companies supporting Russia's war machine.[69] Public reports on new PRC-Russian evasion efforts have proliferated as Beijing and Moscow use this opportunity to deepen financial ties without risking U.S. sanctions. In recent days, President Trump has said he would "love China to help us out with Russia."[70] Instead, Beijing is doing the opposite: in the absence of counter-evasion sanctions, it is aiding Russia and undermining the President's efforts to pressure Russia to end the war.

Finally, the President has distanced himself from Taiwan, seemingly for no other reason than to avoid upsetting Xi. In September, the Trump Administration nixed a $400 million military aid package to Taiwan that is vital to Taiwan's self-defense and a boon for American industry.[71] The decision came on the heels of the Administration breaking longstanding precedent and denying Taiwan President Lai Ching-te's request to transit through the United States during a diplomatic trip.[72]

The Emerging Dynamic: Xi Extracts, Trump Concedes

The pattern is unmistakable. China imposes pain on American businesses and farmers through targeted retaliation—rare earth controls, agricultural imports, "unreliable entity" lists.[73] Trump responds with chaotic on-again-off-again tariffs that hurt American consumers and manufacturers while doing little to change China's behavior. When Beijing refuses to budge, Trump scales back his demands and gives away valuable leverage in other domains—export

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[68] U.S. Department of State, "Department Press Briefing," Thomas Pigott, July 31, 2025, https://www.state.gov/?post_type=state_briefing&%3Bp=92333.

[69] U.S. Senate Committee on Banking, Housing, and Urban Affairs and Committee on Foreign Relations, "Dropping the Baton: How America is Failing to Use Russia Sanctions and Export Controls to Help Achieve a Just Peace in Ukraine," August 2025, https://www.banking.senate.gov/imo/media/doc/final_dropping_the_baton_-_how_america_is_failing_to_use_russia_sanctions_and_export_controls_to_help_achieve_a_just_peace_in_ukraine_-_august_2025.pdf.

[70] BBC, "Trump hopes China will help push Russia towards Ukraine peace talks," Tiffany Wertheimer, October 25, 2025, https://www.bbc.com/news/articles/cn51yk9vgrko.

[71] Washington Post, "Trump nixed $400 million in Taiwan military aid, pushing future arms sales," Noah Robertson and Ellen Nakashima, September 19, 2025, https://www.washingtonpost.com/national-security/2025/09/18/trump-taiwan-arms-sales-military-aid/.

[72] New York Times, "Trump Administration Told Taiwan's President to Avoid New York Stopover," Amy Chang Chien, Chris Buckley, Edward Wong, July 30, 2025, https://www.nytimes.com/2025/07/30/world/asia/trump-taiwan-china.html.

[73] Reuters, "China adds 14 foreign entities, including tech consultancies, to 'unreliable entity list,'" October 9, 2025, https://www.reuters.com/world/china/china-commerce-ministry-adds-14-foreign-entities-unreliable-entity-list-2025-10-09.

controls, sanctions enforcement, technology restrictions—without securing meaningful concessions in return.

China's negotiators, emboldened by strong exports and expanding global partnerships, have refused to make concessions while pressing the United States for relief on export controls and national security issues. The dynamic is clear: Xi extracts leverage, Trump makes concessions.[74]

Conclusion: A Strategic Disaster in the Making

The story of Trump's renewed trade war is not one of American strength—it is a story of squandered leverage, mounting costs, and strategic defeat. Trump promised to use tariffs to close the trade deficit, revive manufacturing, and force China to change its behavior. Instead, China redirects trade through third countries, manufacturing has lost tens of thousands of jobs, American families are paying higher prices, and farmers have been sold out to foreign competitors.

Most alarmingly, Beijing has increasingly diversified its export markets, weaponized its control over critical supply chains, and demonstrated that Trump's tariff threats carry no credible consequences. Meanwhile, the Trump Administration has undermined its own leverage through chaotic policy, unforced concessions, and a failure to exploit America's genuine sources of economic power over China.

Unless the President changes course immediately, this strategic disaster will inflict lasting damage on American prosperity and security.

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[74] The Wall Street Journal, "China's New Strategy for Trump: Punch Hard, Concede Little," Lingling Wei, October 23, 2025, https://www.wsj.com/world/china/china-trump-strategy-06841606.