

US-China tariff wars: Hitting the pause button for now

The US and China's joint statement on 12 May announcing a mutual reduction of tariffs marks a silver lining to the strained bilateral relations between the two economic powers. Lianhe Zaobao China news correspondent Yush Chau speaks with academics to find out what to expect next.



The first round of China-US trade talks held in Geneva, Switzerland, has hit pause on an intense tariff war lasting over a month. On 12 May, both sides issued a joint statement committing, for an initial period of 90 days, to mutually reduce the high tariffs earlier imposed, indicating continued discussions on economic and trade relations.

US President Donald Trump said at the White House on 12 May that “great progress” was made and that there was a “total reset” of the bilateral relationship. He added, “The [US-China] relationship is very, very good. I’ll speak with President Xi [Jinping] maybe at the end of the week.”

Tit-for-tat tariffs

Since returning to the White House in January this year, Trump has increased tariffs on China to 145% due to the fentanyl-smuggling issue and the policy of “reciprocal tariffs”. In response, Beijing imposed retaliatory tariffs of 125% on US goods. Bloomberg Economics estimated that the high tariffs could obliterate as much as 90% of US-China bilateral trade.

The US delegation, led by Treasury Secretary Scott Bessent and trade representative Jamieson Greer, met with the Chinese delegation led by Vice-Premier He Lifeng at the

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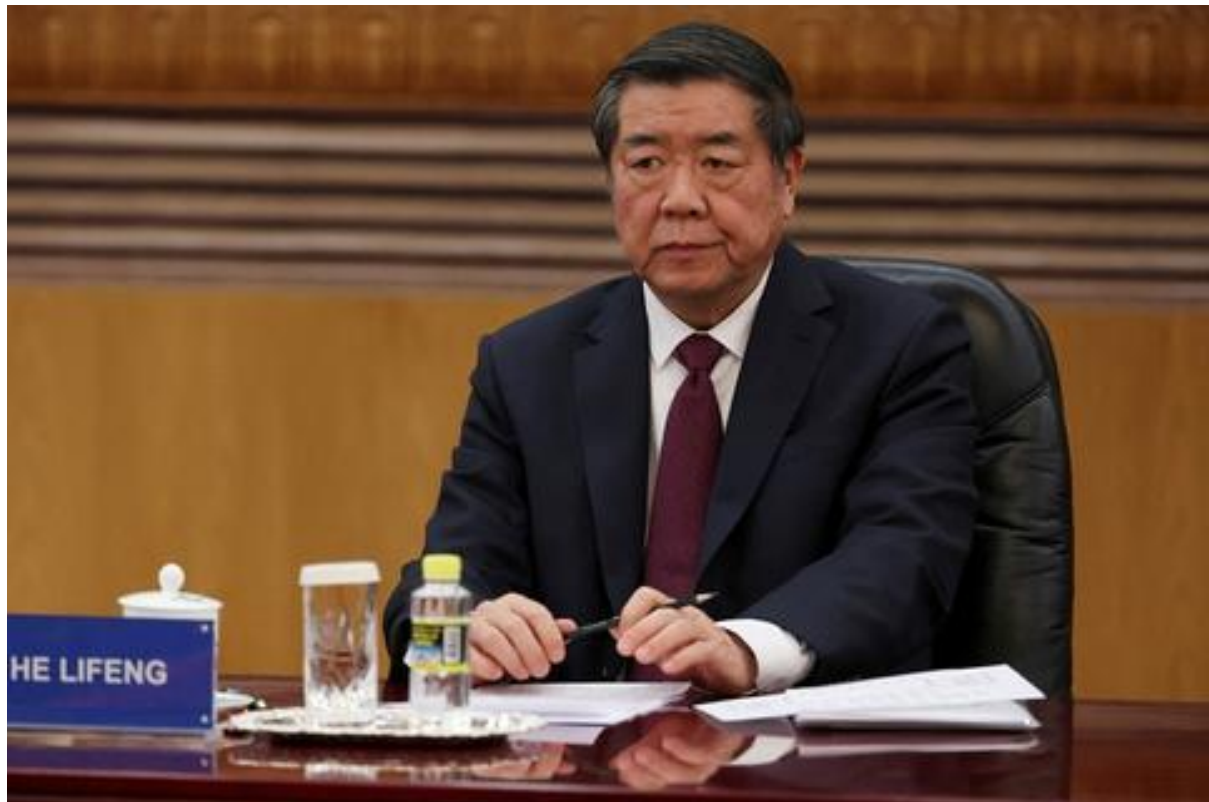
Date: 13 May 2025

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residence of the Swiss ambassador to the United Nations in Geneva from 10 to 11 May. This was the first bilateral trade negotiation since the US-China tariff war began.

According to Xinhua, He stated at a Chinese press conference on the evening of 11 May after the talks concluded that the high-level economic and trade talks between China and the US were candid, in-depth and constructive, achieving important consensus and substantial progress. Both parties also agreed to establish a China-US economic and trade consultation mechanism.

... China may request the US to ease export controls on semiconductors and advanced technological equipment to China. — Associate Professor Fu Fangjian, Lee Kong Chian School of Business, SMU



A joint statement was issued by China's Ministry of Commerce and the US White House on 12 May. Based on the negotiations, the US would reduce the tariffs on Chinese imports from 145% to 30%. The remaining 30% includes the fentanyl-related 20% tariff and a 10% baseline tariff. Meanwhile, China would reduce its 125% retaliatory tariffs on US goods to 10%.

Greer stated that the fentanyl-related 20% tariff would not be adjusted for the time being, but emphasised that the US and China agreed to work constructively on the fentanyl issue, and have found a positive path forward.

According to the joint statement, China will take necessary measures to suspend or remove the non-tariff countermeasures against the US implemented since 2 April, although the statement did not specify the details.

In response to the high tariffs imposed by the US, China announced on 4 April measures that included placing 16 US firms on an export control list, and restricting the export of seven

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categories of medium and heavy rare earths. On 9 April, additional measures were announced, placing 12 more US companies on the list.

Meeting each other halfway

The joint statement also mentioned that both sides will establish a mechanism to continue discussions about economic and trade relations. Discussions may be conducted in China, the US or a third country agreed upon by both parties. If necessary, working-level consultations on relevant economic and trade issues can be conducted.

China-US tariffs war and results following Geneva trade talks		
	● Measures announced by US ● Measures announced by China	Results from trade talks
1 February	● 10% fentanyl-related tariff imposed on Chinese goods	Joint statement from China-US Geneva trade talks did not touch on these areas
4 February	● 15% tariffs imposed on US coal, liquified natural gas (LNG) ● 10% tariffs imposed on US crude oil, agricultural machinery	
3 March	● Additional fentanyl-related 10% tariff imposed on Chinese goods, totalling 20%	
4 March	● 10% and 15% tariffs imposed respectively on certain US food and agricultural products	
2 April	● 34% reciprocal tariffs imposed on Chinese goods	24% tariffs paused for 90 days, remaining 10% tariffs retained
4 April	● 34% tariffs imposed on US goods	
4 April	● 16 US companies added to export control list; export controls on seven medium and heavy rare earths, among others	Paused or cancelled
8 April	● Tariffs imposed on Chinese goods rise from 34% to 84%	Cancelled
9 April	● Tariffs imposed on US goods rise from 34% to 84%	
9 April	● 12 US companies added to export control list	Paused or cancelled
9 April	● Tariffs imposed on Chinese goods rise from 84% to 125%	Cancelled
11 April	● Tariffs imposed on US goods rise from 84% to 125%	

Source: US White House, China Ministry of Commerce

At a press conference on 12 May, Bessent stated that both countries represented their national interest very well. He added that neither side wants to decouple and that there is still much work to be done, but the time and place for the next round of talks have not been set.

In a statement released on its website on 12 May, a spokesperson for China's commerce ministry said, "We hope that the US will continue to work with China to meet each other halfway based on this meeting, thoroughly correct the wrong practice of unilateral tariff increases, continuously strengthen mutually beneficial cooperation, maintain the healthy, stable and sustainable development of China-US economic and trade relations, and jointly inject more certainty and stability into the world economy."

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... the sparring over the past month or so has made the US realise that tariffs are not an effective means of resolving the issue, and may even backfire on its own economy. — Professor Wu Xinbo, Dean, Institute of International Studies, Fudan University

As for the upcoming China-US negotiations, Fu Fangjian, an associate professor at the Singapore Management University (SMU)'s Lee Kong Chian School of Business, told Lianhe Zaobao that, considering China's longstanding trade surplus with the US, the latter is likely to demand increased imports of American products and services. Meanwhile, China may request the US to ease export controls on semiconductors and advanced technological equipment to China.

Fu also said that China has consistently maintained that "cooperation benefits both sides while confrontation harms both" in its US policy. As long as both sides do not constitute an adversarial relationship at the strategic level, there remains a broad scope for negotiation in the economic and trade realm between China and the US.

Limitations of tariffs as a tool

Interviewed academics also pointed out that the unexpected concessions made by the US in this round of talks reflect that Washington has become aware of the limitations of tariffs as a tool following over a month of back-and-forth with China. But they also warned that the systemic trade frictions between China and the US are difficult to resolve in the short term and that the trade war is far from over. Washington may shift to other means of pressuring Beijing.



SMU's Fu said that the extent of the concessions made by the US in this round of talks exceeded his expectations. Tariffs have essentially returned to pre-"Liberation Day" (2 April) levels, with the exception of the initial 34% retaliatory tariffs, of which 10% is retained.

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Fu analysed that behind the US concessions are China's strong countermeasures and firm stance on the one hand, and increasing domestic political pressure in the US on the other hand, coupled with setbacks in negotiations with its allies. This also suggests that the US is not truly seeking to decouple or sever supply chains with China.

"Any agreements reached will buy a bit of peace, but sooner or later the underlying frictions will reassert themselves." — Stephen Olson, Visiting Senior Fellow, ISEAS–Yusof Ishak Institute

Professor Wu Xinbo, dean of the Institute of International Studies at Fudan University, expressed in an interview that the outcome of the negotiations was unsurprising, as he had anticipated a rollback of tariffs to the levels seen in early April. He stressed that the sparring over the past month or so has made the US realise that tariffs are not an effective means of resolving the issue, and may even backfire on its own economy.

Stephen Olson, a visiting senior fellow at the ISEAS–Yusof Ishak Institute, told Lianhe Zaobao that a temporary "ceasefire" is always better than an escalating trade war, especially since the previous tariff levels were virtually a "trade embargo". Hence, it is certainly positive that the tariffs are reduced.



However, he reminds the outside world to remain rational because substantial tariffs remain in place. Under normal circumstances, in fact, the remaining tariff levels are still considered deeply troubling.

Olson assessed that the systemic trade frictions between the US and China will not be resolved within 90 days. "Any agreements reached will buy a bit of peace, but sooner or later the underlying frictions will reassert themselves," he said.

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Although the US is unlikely to impose additional high tariffs on China in the short term, Fudan University's Wu evaluated that Washington could use other methods to pressure Beijing, such as tightening technological and investment restrictions or imposing sanctions on Chinese companies. The specific measures will depend on assessments within the Trump administration.