

U.S. and China Agree to Temporarily Slash Tariffs in Bid to Defuse Trade War

The White House backed off from the steepest levies, as the costs of an all-out trade war with China threatened global economic growth.



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By Daisuke Wakabayashi, Amy Chang Chien and Alan Rappeport

Daisuke Wakabayashi reported from Seoul; Amy Chang Chien from Taipei, Taiwan; and Alan Rappeport from Washington.

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The United States and China took a step on Monday to defuse the trade war between the world's two largest economies, agreeing to temporarily reduce the punishing tariffs they have imposed on each other.

The move by the United States, after President Trump had repeatedly declared that he would not lower tariffs without concessions from China, represented an acknowledgment of the costs of an all-out trade war with China. Despite the White House's bluster, the Trump administration backed off, for now, from its steepest tariffs, and agreed to hold more formal talks with Beijing after companies and consumers started showing signs of economic strain.

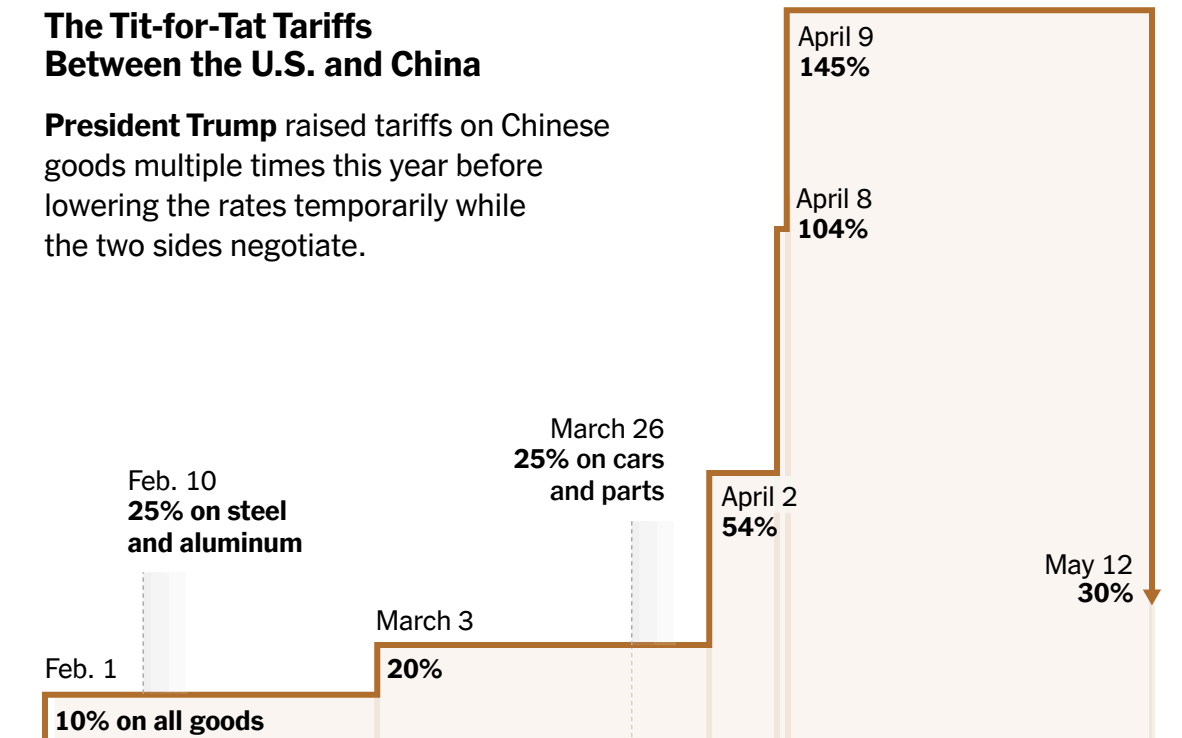
Explaining that many of the tariffs that he imposed remain in place, Mr. Trump said at the White House on Monday that talks would be focused in part on “opening up” China to American businesses. He said that he expected to talk to President Xi Jinping of China this week, but that putting a full deal on paper would take a while.

“We’re not looking to hurt China,” Mr. Trump said.

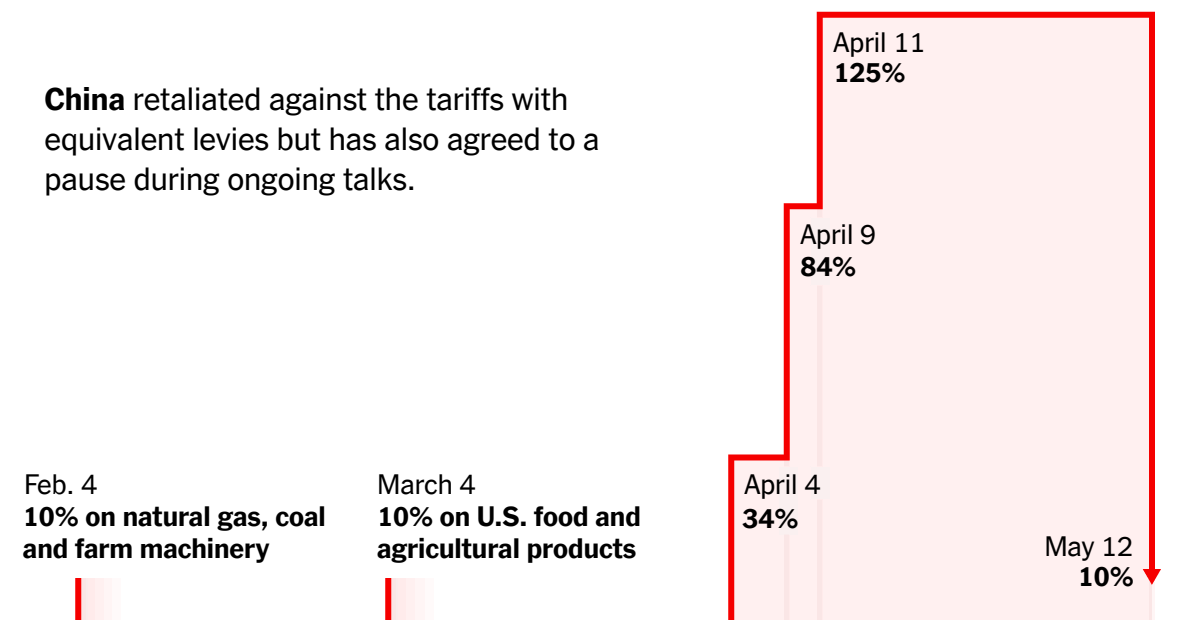
In a joint statement released earlier in the day, the United States and China said they would suspend their respective tariffs for 90 days and continue negotiations they started this weekend. Under the agreement, the United States would reduce the tariff on Chinese imports to 30 percent from its current 145 percent, while China would lower its import duty on American goods to 10 percent from 125 percent.

The Tit-for-Tat Tariffs Between the U.S. and China

President Trump raised tariffs on Chinese goods multiple times this year before lowering the rates temporarily while the two sides negotiate.



China retaliated against the tariffs with equivalent levies but has also agreed to a pause during ongoing talks.



Sources: White House, China's Ministry of Finance • By Agnes Chang and Pablo Robles

The outcome of the frenzied negotiations brought tariff rates close to where they were before Mr. Trump ratcheted them higher on April 2, which he billed as “Liberation Day.” However, the talks did not appear to yield any meaningful concessions beyond an agreement to continue discussions.

“We concluded that we have a shared interest,” Treasury Secretary Scott Bessent said at a news conference in Geneva, where U.S. and Chinese officials met over the weekend. “The consensus from both delegations is that neither side wanted a decoupling.”

China said it would suspend or revoke countermeasures adopted in retaliation for escalating tariffs. In early April, the Chinese government had ordered restrictions on the export of rare earth metals and magnets, critical components for cars, planes and semiconductors.

Mr. Bessent said the two countries might discuss deals for China to purchase more American goods. Such a deal could help narrow the American trade deficit with China.

The agreement breaks an impasse that had brought much trade between China and the United States to a halt. Many American businesses had suspended orders, holding out hope that the two countries could strike a deal to lower tariff rates.

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Mr. Bessent placed blame on the Biden administration for failing to honor its commitments to the trade deal that Mr. Trump reached with China during his first term. He said the current round of talks would aim for a more “fulsome agreement.”

Chinese factories have experienced a sharp decline in export orders to the United States, heaping additional pressure on a sluggish economy. Chinese producers looked to expand trade to Southeast Asia and other regions to circumvent the U.S.

tariffs.

Mr. Bessent said the tariffs had effectively created an embargo, something neither side wanted. The two countries said continuing negotiations would involve Mr. Bessent; Jamieson Greer, the U.S. trade representative; and He Lifeng, China’s vice premier for economic policy, who led the weekend talks for the Chinese.

In a research note, Mark Williams, chief Asia economist for Capital Economics, said the agreement was “another substantial retreat from the Trump administration’s aggressive stance,” because it does not include any commitments by China on its currency or trade imbalances. He also noted that there was no guarantee that a 90-day truce would give way to a lasting agreement, especially if the United States continued trying to rally other countries to limit trade with China.

New U.S. tariffs on its largest trading partners

TRADING PARTNER	FEB. 4	EFFECTIVE DATE		APRIL/MAY	TOTAL
		MARCH 4			
China	10%	+	10%	+	125% 10% = 30%
Mexico			25%*		= 25%*
Canada			25%*		= 25%*
European Union				20% 10% =	10%
Japan				24% 10% =	10%
Vietnam				46% 10% =	10%
South Korea				25% 10% =	10%
Taiwan				32% 10% =	10%
India				26% 10% =	10%
United Kingdom				10% =	10%

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Notes: Goods from Canada and Mexico that fall under the U.S.M.C.A. trade pact — the agreement that replaced NAFTA — are not subject to the 25 percent tariffs.

While a temporary reprieve from the shockingly high tariffs may be cause for celebration for businesses in both countries, the repercussions will linger. Businesses are likely to encounter pent-up demand, leading to higher transport prices, as companies race to schedule shipments during the 90-day negotiating window.

Global stock markets jumped with the announcement. The benchmark index in Hong Kong surged 3 percent, about the same amount as the S&P 500 in New York.

Our economics reporters — based in New York, London, Brussels, Berlin, Hong Kong and Seoul — are digging into every aspect of the tariffs causing global turmoil. They are joined by dozens of reporters writing about the effects on everyday people.

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Zhiwei Zhang, the president and chief economist of Pinpoint Asset Management, an investment firm in Hong Kong, called the agreement a “good starting point” for both countries.

“From China’s perspective, the outcome of this meeting is a success, as China took a tough stance on the U.S. threat of high tariffs and eventually managed to get the tariffs down significantly without making concessions,” he said.

Mr. Bessent and Mr. Greer said the two countries had substantive discussions on U.S. demands that Beijing crack down on the trafficking of the chemical ingredients used to make fentanyl. Mr. Bessent said that the Chinese “understood the magnitude” of the fentanyl crisis in the United States and that there was a “positive path forward.”

Mr. Trump initially imposed a 20 percent tariff on Chinese exports, accusing the country of not doing enough to stop the flow of fentanyl to the United States. That punitive tariff remains in place, along with the 10 percent “base line” tariff imposed on China and nearly every other U.S. trading partner.

Toward the end of Mr. Trump's first term, and throughout the Biden administration, the average U.S. tariff on Chinese goods hovered around 19 percent, and applied to about two-thirds of imports from China, according to the Peterson Institute for International Economics. The tariffs imposed in Mr. Trump's second term applied to all imports from China.

The Trump administration has accused China of unfairly subsidizing key sectors of its economy and flooding the world with cheap goods. Mr. Trump has said China has been "ripping off" the United States for decades with unfair trade practices that have decimated America's manufacturing sector and cost the country jobs.

Wang Wen, dean of the Chongyang Institute for Financial Studies at Renmin University in Beijing, said the agreement demonstrated the desire for both countries to avert the "worst-case scenario." He said China "is better" at dealing with the tempo and style of the second Trump presidency compared with the first.



From left, Liao Min, He Lifeng and Li Chenggang of China's delegation to the trade talks at a news conference in Geneva on Sunday. Jamey Keaten/Associated Press

In laying out the agreement, Mr. Bessent and Mr. Greer were careful not to antagonize China. Instead, they placed most of the blame for the trade war on the Biden administration, accusing it of neglecting the trade imbalance.

Mr. Bessent suggested that the two countries could help each other by balancing their economies, saying America could restore its manufacturing sector while China could scale back its overproduction.

The two sides have sparred in public in recent weeks. The White House repeatedly said it was speaking with Chinese officials, while Beijing denied that such talks were taking place.

Beijing initially took a hard line to Mr. Trump's punitive tariffs. Last month, Mao Ning, a senior Chinese Foreign Ministry spokeswoman, posted on X a video of a speech that Mao Zedong made during the Korean War — known in China as the War to Resist U.S. Aggression and Aid Korea — in which he declared, “No matter how long this war is going to last, we'll never yield.”

China has carefully framed its involvement in the Geneva negotiations not as a concession to Mr. Trump's tariffs, but as a necessary step to avoid further escalation. China's Ministry of Commerce said the agreement was “in the interests of both countries and the common interests of the world.”

Since the tariffs were announced, China has suspended imports of sorghum, poultry and bonemeal from American companies and added 27 firms to the list of companies facing trade restrictions.

On Monday, even as China agreed to roll back punitive measures it had imposed over the past month, multiple Chinese agencies, including the Ministry of Commerce and the Ministry of State Security, met to discuss how to strengthen export controls of strategic minerals.

In a statement, the European Chamber of Commerce in China said that it was “encouraged” by the announcement, but that “uncertainty remains” because the tariffs are only temporarily suspended.

Jens Eskelund, president of the European Chamber, said it “hopes to see both sides continue to engage in dialogue to resolve differences, and avoid taking measures that will disrupt global trade and result in collateral damage for those caught in the crossfire.”

Nick Cumming-Bruce contributed reporting from Geneva, Christopher Buckley from Taipei, and Ana Swanson from Washington.

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A version of this article appears in print on , Section A, Page 1 of the New York edition with the headline: China and U.S. Set To Lower Tariffs To Ease Tensions