

U.S.-China Trade Talks Lead to Mutual Temporary Reduction in Tariffs

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Key Takeaways

- **This is not a deal.** There were no purchase commitments, investment announcements, or even terms of reference for continued negotiations. However, the de-escalation in tensions was an important first step, since both sides have an incentive to reduce tension given clear economic strain.
- **So many talks, so little time.** The 90-day pause may provide breathing room for other countries caught in the middle as they pursue their own deals with the United States, but the U.S. capacity to pursue such widespread negotiations remains questionable.
- **A 30% tariff on exports from China to the U.S. plus sector-specific Section 232 tariffs are still significant,** but under the threshold that will keep goods flowing. While companies will continue efforts to boost efficiency and reduce overhead, consumers may nonetheless experience price increases.
- **Business leaders will continue to seek greater clarity to make informed decisions for the medium-to-long term.** Businesses may also need to update their advocacy strategies, including direct engagement, association efforts, and messaging that underscores the importance of stability for investment in the United States.

What Happened

The U.S. and China held trade talks in Geneva this weekend. On Monday, the two sides issued a joint statement on the meeting (White House; China's Ministry of Commerce) agreeing to mutually reduce tariffs for 90 days to an effective rate of 30% for the U.S. and 10% for China. Tariff reductions will take effect Wednesday, May 14.

China will suspend or remove non-tariff countermeasures. The joint statement notes that China will "adopt all necessary administrative measures to suspend or remove the non-tariff countermeasures taken against the U.S. since April 2, 2025." No further details are provided. However, this could include rare earth export controls and other actions announced in April.

The U.S. and China will establish a mechanism to continue discussions, to be led by Treasury Secretary Bessent and U.S. Trade Representative Greer from the U.S. side, and Vice Premier He Lifeng from China. We do not yet know specifics on content, cadence, or goals of the bilateral talks—just that they are going to happen.

The talks were led by U.S. Treasury Secretary Scott Bessent, U.S. Trade Representative Jamieson Greer, and Chinese Vice Premier He Lifeng. Also present were Chinese Vice Finance Minister Liao

Min (a key member of China's trade negotiation team during Trump One), Minister of Public Security Wang Xiaohong, and newly appointed trade representative Li Chenggang. Remarks immediately following the talks were positive, with both sides reporting "substantial progress." Greer [noted](#) that "perhaps the differences were not as large as maybe thought."

Monday's announcement surpassed even heightened expectations. President Trump had publicly [floated](#) an 80% tariff prior to the talks, making the agreed upon 30% rate unexpectedly moderate in comparison. Global stock markets saw a significant rally: S&P, Dow, and Nasdaq futures rose between 2-3% as investors looked toward increased certainty in trade.

While the temporary tariff reductions ease some [pressure](#), they do not eliminate it. The impact will not be even across the board, as U.S. sector-specific tariffs imposed on all trading partners and tariffs from the first Trump administration remain in place. The joint statement did not address de minimis or tariffs imposed under Section 232 authority, for which we assume the status quo holds.

The agreed upon dialogue mechanism is a positive development, signifying a shared commitment to de-escalation. Points of uncertainty remain, however. China's promise to lift "non-tariff countermeasures" lacks clarity. The U.S. reportedly [pushed](#) for rare earth export restrictions to be lifted to manufacture magnets, but no specifics have been provided.

Action on fentanyl (another priority issue for the U.S. team) was absent in the joint statement. The 20% IEEPA tariff on fentanyl remains, although the White House [noted](#) a shared commitment to curb fentanyl and precursor flows. Public Security Minister Wang [reportedly](#) raised the issue during talks, and we may see a dedicated dialogue channel in the future, as under the Biden administration.

Next Steps

Looking further ahead, the joint statement and positive messaging from both sides indicate strong momentum for dialogue. Ninety days is a short time frame for a complex trade agreement, especially given the broad range of other countries in talks with the United States. Extended negotiations, phased agreements, or partial "wins" are all possible.

It remains to be seen how the two sides will bridge outstanding differences. On tariffs, Beijing continues to [request](#) that Washington cancel unilateral tariff increases, even as they remain the favored tool of the U.S. President. Trump has previously [ruled that out](#), telling reporters in April that the rate for China would "come down substantially but it won't be zero."

Beyond tariffs and discussion of trade deficits, there also remain several problems in the relationship, which were [detailed](#) by USTR in the first Trump administration and reiterated in the [2025 annual National Trade Estimate](#). While U.S. rhetoric coming out of the meetings in Geneva were positive, investors and businesses of all sizes are eager for stability. There is a long road ahead for the negotiations, and concern remains that any resulting deal may be prone to disruption. As talks get underway and negotiators begin to address thornier issues, both sides may remember they are further apart than reflected by the joint statement.