US and China slash tariffs as trade war cools

Donald Trump's team cuts tariffs to 30 percent, while China slashes its levies to 10 percent. Now they have 90 days to do a deal.

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The United States and China have agreed to slash punitive tariffs against each other in a major deescalation of Donald Trump's trade war that sent stock markets sharply higher on Monday.

The U.S. will cut tariffs on Chinese imports from 145 percent to 30 percent, while the Chinese side will drop measures from 125 percent to 10 percent. The suspension is temporary for now, lasting 90 days, allowing time for further negotiations.

"Neither side was interested in a decoupling," U.S. Treasury Secretary Scott Bessent said at a press conference in Geneva after leading two days of talks at the weekend with Chinese Vice Premier He Lifeng.

A joint statement says that the U.S. and China will "establish a mechanism to continue discussions about economic and trade relations," which will be led by He, alongside Bessent and Trade Representative Jamieson Greer. Senior U.S. officials said the countries also discussed fentanyl, and that negotiations may lead to "purchasing agreements" by China.

Trump's huge tariff war, launched in early April, has upended global trade and triggered economic aftershocks around the world.

After tit-for-tat escalation between Washington and Beijing, U.S. tariffs were so high that they effectively halted Chinese exports to the U.S., threatening the biggest economic disruption since the outbreak of the Covid pandemic.

U.S. stocks rallied hard on the announcement. Futures contracts for the U.S. benchmark S&P 500 index gained by 2.5 percent, putting the index higher than where it was before the “Liberation Day” package, after it had fallen by more than 12 percent.

European stock markets also rose on the news. The Euro Stoxx 600 index, which tracks the largest publicly traded companies in Europe, gained 0.9 percent, as investors anticipated a positive effect from rolling back the trade barriers.

Last month, the International Monetary Fund had slashed the eurozone’s growth outlook by 0.2 percentage points for 2025 on the back of the trade war. In Asia, several markets climbed by a few percentage points.

The price of gold, a traditional safe haven that attracts investment in times of economic turbulence, fell by 3.4 percent.

Massive deescalation

Claus Vistesen, chief eurozone economist for Pantheon Macroeconomics, called the announcement a “massive deescalation” and said that, on the face of it, “the trade war is over.” He argued that “the U.S. started something and they couldn’t finish it.”

Over the same weekend, however, the U.S. started an investigation into imports of commercial aircraft, jet engines and parts that could result in tariffs. It also maintains a 10 percent global baseline tariff and sectoral tariffs of 25 percent on steel, aluminum and cars.

Guntram Wolff, senior fellow at the Brussels think tank Bruegel, called it “great news for the world economy” and said “it shows that economic reason came back to the U.S. They realized that the cost of what they tried to do was prohibitively high.”

Wolff said that European policymakers should take note of Beijing’s tough approach. “Whenever it starts hurting economically, the U.S. president seems to give in,” he said. “So I think it pays to have a tough line.”

The 90-day U.S.-Chinese pause runs until Aug. 10, about a month after a similar suspension of some U.S. tariffs on the EU runs out. Brussels has also suspended its retaliation until mid-July and is currently working on a longlist of retaliation targets that contains some €100 billion in imports from the U.S., led by airplanes and passenger cars.

Back in Geneva, the U.S. negotiating team claimed the deal would bring down the massive trade deficit between the two sides.

Bessent said that "we want more balanced trade. And I think that both sides are committed to achieving that. We would like to see China open to more U.S. goods. We expect that as a negotiation to proceed," adding that there will be "a mechanism for continued talks."

"China was the only country that chose to implement retaliation against the United States. All other countries withheld and decided that they wanted to negotiate with the United States or simply and not retaliate," said Greer. "So we've been in a detailed discussion with other countries for several weeks at this point."