

ORION FORUM

The US and China Looking for a Way Out of the Tariff Wars

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The trade war between the United States and China has reached a turning point after April 2025. Beginning in April with the US imposing tariffs as high as 145% on Chinese goods and China responding with 125% duties on American products, trade among the world's two top economies has de facto halted. However, there might be a way for some sort of trade deal that, if it doesn't bring a lasting peace, at least may bring a truce.

Liberation Day Tariffs

President Trump, fulfilling a campaign promise that many were skeptical he would carry out, initiated a radical overhaul of US trade policy to use tariffs to decrease the US trade deficit and increase its manufacturing output in the long term.

The formula presented on April 2, 2025, "Liberation Day," was introducing a universal 10% baseline tariff on all imports and significantly higher duties on specific countries, with China facing an additional 34% tariff on top of the existing 20%, bringing the total to 54%.

Beijing, departing from its 2019 behavior of limited, targeted responses, matched these measures with retaliatory tariffs. That brought an escalation that culminated in a 145% tariff on Chinese imports on the US side, and the Chinese side reaching 125% on American goods, alongside export restrictions on critical rare earth minerals essential for various industries.

Additionally, the Trump administration has tripled the de minimis duty rate on parcels valued under \$800 arriving from mainland China and Hong Kong to 90%, with per-item fees increasing to \$75 from May 1 and \$150 from June 1. These changes are expected to significantly impact online retailers reliant on low-cost Chinese imports such as Amazon, and the Chinese retailers

Shein and Temu — two companies that have been under investigation for low environmental standards or relations with Xinjiang-related supply chains.

After that point, China announced it would no longer respond to any further US tariff hikes, acknowledging that trade between China and the US had technically stopped. A move that could be read, if not as an attempt at de-escalation, at least as a signal to avoid further escalation. For its part, the Trump administration showed flexibility toward other trading partners that signaled willingness to negotiate, while maintaining its hardline stance on China. On April 10, President Trump announced a 90-day pause on planned tariff hikes for most countries, but explicitly excluded China.

Narratives of the Trade War

This tit-for-tat escalation has severely impacted bilateral trade, which was valued at \$582 billion in 2024 – \$143.5 billion in U.S. exports to China and \$438.9 billion in imports from China, resulting in a trade deficit of \$295.4 billion for the United States. The [World Trade Organization](#) forecasts an 80% decline in U.S.-China trade volume due to the tariff war, signaling a near-complete decoupling of the two economies. The sectors most exposed include electronics, automotive, agriculture, and renewable energy.

As in all wars, in a tariff war the main goal is to push your enemy to a position where it loses its will to fight and is willing to engage in a negotiation that may bring a positive outcome. Controlling the narrative may be even more important to that end, than the reality of economic facts. In this point is important to note that the US and China operate in an asymmetric media landscape.

Tariffs haven't been one of Trump's most popular initiatives, especially among the business community and media. Operating in a published opinion ecosystem under the rules of freedom of speech, the US and Western media have generally presented a critical coverage of the tariffs, and haven't concealed any of their negative impacts on the US economy.

However, on the Chinese side, Beijing has been diligent in [not showing its pain](#). China with a controlled media landscape has been able to disseminate better the official messaging downplaying the impact of the tariffs in the Chinese economy. That has generated an illusion

that China has not been paying any cost for the war and was even comfortable with the current situation – the famous meme China “[Does Nothing. Wins.](#)”

But social media memes rarely hold deep truths. The reality is that the trade war’s economic toll is mounting on both sides. The US economy contracted by 0.3% in the first quarter of 2025, while China’s export-driven coastal provinces face downturns and potential mass layoffs as export orders plummet. Globally, projections indicate a potential loss of up to \$1.4 trillion due to the trade confrontation.

Chinese companies across various sectors, from toys and furniture to electronics and construction equipment, are suspending operations and furloughing workers. Chinese business owners have likened these disruptions to production shutdowns during the Covid pandemic—with the warning that the outlook appears more dismal this time.

Meanwhile, US cargo bookings from China [dropped by 60%](#). Economists project that Trump’s tariffs could cost China as many as [15.8 million jobs](#), while U.S. retailers and manufacturers [report](#) rising costs and supply chain disruptions, leading to warnings of product shortages and price increases for consumers.

In the US, critics of the tariffs have argued that the rapid change provoked by the swift implementation of tariffs hasn’t allowed US companies enough time to take the necessary steps to reorient their supply chains, potentially harming American manufacturing rather than supporting it. In any case, any positive outcome in terms of re-shoring and increase of manufacturing output will be seen in the long term rather than the short.

Chinese exporters have also had to come up with imaginative ideas to avoid the tariff’s pain. They have employed an “[origin washing](#)” method, rerouting shipments through countries like Vietnam or Malaysia, where goods undergo minimal modifications before being exported with new country-of-origin labels.

No country can come unscathed from the de facto halt of trade with its second-largest trade partner. In this regard, it is both unproductive and even dangerous to view any change in tariff policy as a capitulation by either side. Many wars have been won when leaders recognized flawed strategies and made necessary adjustments, and many more have been lost by failing

to do so. Trade wars are no different.

The tortuous path for a deal

During the first month of the tariff war, the two countries had been at an impasse. Trump wanted direct talks with Xi, but China had made it clear it would not start negotiations with a leader-level call. Beijing had previously demanded that the US reduce tariffs before negotiations could begin, but appeared to soften its position in the last week of April.

Influential Chinese [social media accounts](#), considered to have ties with the government, suggested that Beijing was now willing to engage in trade discussions with Washington after the U.S. reportedly reached out through multiple channels seeking negotiations. That represented a shift in China's public position, as the country's commerce ministry had previously insisted that the U.S. must first suspend or cancel its unilaterally imposed tariffs before any talks could begin.

It seems that underneath the tough posturing and the social media noise, the truth is that China and the US might have been engaging in discrete communication since the first escalations. In early May, both nations began to show signs of seeking de-escalation. China has exempted approximately \$40 billion worth of American goods from tariffs, and the U.S. has excluded about \$102 billion worth of Chinese imports from its tariff list.

At the moment of writing these lines, the US and China just [announced](#) that they will hold their first formal talks on the weekend of May 10th and 11th. Treasury Secretary Scott Bessent and US Trade Representative Jamieson Greer will meet with their Chinese counterparts in Geneva on Saturday and Sunday. China's delegation will be led by Vice-Premier He Lifeng, the country's top economic official. This meeting represents the first high-level interaction between the two countries since Vice-President Han Zheng attended Trump's inauguration in January.

The talks are unlikely to produce any tangible outcome, but might be positive to initiate a de-escalation. A final deal would take months and require a meeting between President Trump and President Xi Jinping. In a trade confrontation between the two leading nations of the world, both with strong leadership that would be unwilling to lose face, we may expect that any

resolution should be achieved without declaring a victor and a vanquished side.

In favor of a resolution also plays that President Trump's stance on China doesn't seem to be motivated by [ideological hawkishness](#) against Beijing or its current form of governance, but by the belief that the current trade deficit between the US and China is just a bad arrangement for America. That also explains why there has been no attempt at the moment to craft a coordinated action against China between the US and its allies in the economic dimension, because the US also has a trade deficit with those countries and thus perceives them, to a certain extent, as part of the same problem.

Although it is difficult to see what China can do to significantly reduce an almost \$300 billion trade deficit with the US, at least this shows that there is more room for negotiations than if it were a principles-based dispute.

Which form a trade deal between the US and China may take remains unclear. A starting point might be going back to Phase 1 of the trade deal signed in 2020, when China pledged to purchase \$200 billion in US goods and services. China never met its commitments and it is hard to see how that would change today.

Another possibility is what President Trump seem to support during the campaign, offering Chinese companies to avoid tariffs by relocating manufacturing to America. However, that could meet hard resistance from American manufacturers and lawmakers within both parties and even inside Trump's administration. China on the other hand has also been reported to be willing to include imposing controls on [fentanyl](#) exports as part of broader talks on trade.

In any case, a path for a trade deal will be long and tortuous. More tariffs and escalations might happen until Trump and Xi can sit together. Even with some sort of deal, it is unlikely that China and the US will find a stable way to manage their trade relationship any time soon. We can hope for a trade deal that, if it doesn't bring enduring peace, carries a robust trade truce that helps to decrease tensions.

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