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What's Been Happening

1 — U.S.-China tariff standoff: No thaw in sight — 1

[In One Sentence]

- On April 23, President Trump claimed the U.S. and China were “actively” discussing trade, but both China’s Foreign Ministry and Ministry of Commerce denied any tariff talks had occurred, dismissing the claim as “fake news.”
- Trump later reiterated his claim, saying officials had met on April 24 and that he spoke with President Xi on the 25th, though China’s Foreign Ministry again denied the statements.
- Although it remains unclear whether any discussions are underway to avert the steep tariffs, signs of de-escalation may have begun to emerge.
- The White House has floated that it may consider reducing tariffs on Chinese imports to approximately 50–65%, while maintaining 100% levies on items deemed strategic to U.S. interests.
- China, for its part, has exempted certain U.S. imports from its 125% tariffs and is requesting firms to identify additional essential goods for potential exclusion.

[Mark the Essentials]

- U.S. Treasury Secretary Scott Bessent told a closed-door investor summit on April 22 that the U.S. does not seek to decouple from China and emphasized that the current tariff status quo—145% on Chinese goods and 125% on U.S. products—is unsustainable for both countries.
- Retailers warn that U.S. consumers may again face Covid-era-type supply chain disruptions, with a projected 20% decline in imports in the second half of the year likely causing shortages of low-cost goods.
- Bessent further emphasized that President Trump would not unilaterally reduce tariffs on Chinese imports, arguing that China—at risk of losing up to 10 million jobs—should take the first step in easing tariffs, a stance Beijing has previously rejected.
- Despite Trump’s stated openness to a deal, disputes over who should move first and fears of losing face make a near-term resumption of talks unlikely, with analysts noting that “one or both will have to swallow their pride,” highlighting the depth of the current deadlock.

- The Information Technology and Innovation Foundation (ITIF) simulation results indicate that retaliatory tariffs triggered by Trump's "Liberation Day" tariff regime could cost U.S. tech exporters up to \$82 billion, with even the most modest scenario resulting in \$56 billion in losses; given these findings, ITIF warns that the tariffs risk accelerating offshoring and bolstering China's tech sector at the expense of U.S. firms.
- Despite ongoing talks with other countries, analysts note that the Trump administration lacks a coherent internal position on tariff policy, characterizing it as "a war with itself" between those who see tariffs as a temporary negotiating tool to be lowered through bilateral deals and others who favor maintaining high tariffs to advance a protectionist, economic nationalist agenda.
- The U.S. has agreed to WTO consultations with China over the tariffs but maintains the measures are justified by national security and fall outside the WTO dispute settlement body's jurisdiction.

[Keeping an Eye On...]

- At a time when the U.S. and China have moved from being at mere loggerheads with one another to becoming embroiled in a full-fledged trade war with no near-term end in sight, it merits examining the Trump administration's emerging economic and trade framework for China. That framework is built with four objectives in mind. **First, is the imperative to significantly reduce the U.S.' bilateral goods trade deficits, with the focus being on the main surplus countries – China, Canada, and Mexico, as well as the main surplus region – the Asia-Pacific region.** The combined deficit with China, Japan, Korea, Taiwan and Vietnam, the U.S.' five largest Asia-Pacific trading partners, was more than 50% of the U.S.' total goods deficit in 2024. Hence, the reciprocal tariffs. **Next, is the need to reshore manufacturing in certain vital and heavily traded industrial sectors.** 'Friendshoring' is out, so also is 'nearshoring' (with the limited exception of certain USMCA-eligible goods from Canada and Mexico). *Reshoring* is the only game in town. It is worth noting that machinery, electrical equipment, motor vehicle and auto parts, and pharmaceutical products made up 75% of the U.S. goods trade deficit in 2024. The administration's goal is to reshore as much of high-end productive capacity in these sectors as is practicable. **Third, is the need to strip China out of U.S. critical infrastructure sectors** (food supplies, farmland, minerals, natural resources, and ports and shipping terminals) **and related supply chains.** This objective builds on earlier Biden administration measures to strip China's supply chain presence out of the AI and advanced computing, ICTS and data, and clean energy (including EVs) sectors. **And finally, to continue decoupling from China in advanced technology sectors** – the key ones listed now being expanded beyond semiconductors, AI, quantum, and biotechnology to include hypersonics, aerospace, advanced manufacturing, and directed energy too. The yard is to become wider and the fence taller.

The administration has been clear regarding its overarching trade and economic policy goals vis-à-vis China. **It is much less clear on how to realize these goals, and for good reasons.** Trade deficits are a product of investment, consumption, and savings imbalances and are disconnected from tariff levels, except at very high tariff levels. Structuring 'reciprocal tariffs' to eliminate or significantly reduce bilateral trade deficits is an unrealizable goal, which has left counterpart countries perplexed and markets rattled. Reshoring manufacturing is easier said than done, too, in an era when the bulk of cross-border trade is conducted in intermediate goods. **And the administration has been entirely unclear about the end state of its trading relationship with Beijing,** beyond the four broad objectives. Should the U.S. build on the

disentangling of its trading relations with China to fully decouple economic ties? Should the U.S. lead an alliance of market democracies that disentangle and substantially exclude China from their markets? Should the U.S. seek fair and enduring access to China's market and balanced two-way economic exchanges, while eliminating interdependencies in advanced technologies and critical infrastructure supply chains? The end state matters. From a strategic standpoint, China seeks an interdependent relationship, if only to facilitate its own modernization goals. **If a degree of interdependence is rejected and the U.S. market substantially closed to Chinese goods, what is China's reciprocal interest and incentive in opening its market to U.S. exports? If the U.S. chooses to pursue its own sweetheart market purchases deal with Beijing, why should allies and partners have to burn their trade bridges with China?** The U.S. overestimates, furthermore, the extent to which its allies and partners are willing to follow it down the path of casual disregard of multilateral trade and treaty law in their dealings with Beijing.

In the absence of a consensus on what the end state should look like, senior administration appointees have taken to improvising their own preferred solutions. Allies and partners could obtain relief from the reciprocal tariffs in exchange for isolating China from its markets. Allies and partners could obtain relief in exchange for matching secondary tariffs on Chinese imports. Allies and partners could obtain relief in exchange for denying China their market for its excess produced industrial goods, etc. None of the proposed solutions is authoritative. At the end of the day, where the administration's tariffs vis-à-vis China finally land will depend on what Mr. Trump wants – much like the larger trade war, which has been a function of senior administration officials scurrying around to cater to the president's peculiar and disruptive ideas on trade deficits and reciprocal trade while simultaneously attempting to stay within the good graces of financial markets.

[Expanded Reading]

- [US and China clash over status of trade talks. Here's what to know](#), ABC News, April 24, 2025.
- [Trump says Xi called him, lays out trade and other deal plans in Time interview](#), Reuters, April 25, 2025.
- [China exempts some goods from US tariffs](#), Reuters, April 25, 2025.
- [Conflicting US-China talks statements add to global trade confusion](#), Reuters, April 25, 2025.
- [White House Considers Slashing China Tariffs to De-Escalate Trade War](#), Wall Street Journal, April 23, 2025.
- [Bessent Expects Tariff Standoff With China to De-Escalate](#), Bloomberg, April 22, 2025.
- [Product shortages and empty store shelves loom with falling shipments from China](#), NBC News, April 25, 2025.

2 — China seeks EU partnership against U.S. tariffs as more pressure looms — 2

[In One Sentence]

- Chinese Foreign Minister Wang Yi has engaged his European counterparts, denouncing U.S. tariffs as "arbitrary" unilateralism and "economic bullying" and urged joint efforts to defend the multilateral trading system.
- China's Commerce Ministry announced that Beijing and Brussels have agreed to restart negotiations on electric vehicle tariffs, seeking to replace the tariffs with minimum import prices.
- After recent talks, EU officials have stated that the U.S. lacks clear trade objectives, which is hindering progress, including on the EU's 'zero-for-zero' industrial tariffs elimination proposal.

- The Trump administration is pressuring the European Union to abandon its planned AI rulebook, creating a difficult situation for the EU as it tries to implement its AI Act and deepen digital regulations.
- Aiming to reshore the pharmaceutical industry, the Trump administration launched a Section 232 national-security investigation into a broad set of pharma imports, including finished drugs and key ingredients, and potentially leading to tariffs.

[Mark the Essentials]

- Amidst global trade tensions exacerbated by the US, analysts have suggested China is strategically engaging partners like the EU and Vietnam to counter potential tariffs and revive stalled initiatives, such as the CAI investment deal and CPTPP membership.
- Per reports, China has lifted sanctions imposed on Members of the European Parliament that it had imposed in March 2021 following the latter's labelling of China's birth control-related actions against its Uyghur minority as 'genocide'.
- European drugmakers have lobbied the Commission to allow higher medicine prices, arguing that current price controls discourage investment compared to the U.S., where tariff threats are also notably driving pharmaceutical investment announcements.
- Responding to intense lobbying by major U.S. automotive groups concerned about the damaging financial strain of compounding levies jeopardizing domestic production, President Trump provided exemptions from certain auto tariffs, particularly those on imported parts and components.

[Keeping an Eye On...]

- After many false starts, will this be the moment when China and the European Union start over – courtesy in no small part to Donald Trump's 'America First' matchmaking skills? In December 2020, the two sides concluded in principle the negotiations for a **Comprehensive Agreement on Investment (CAI)** that included, among other provisions, far-reaching disciplines for state owned enterprises, transparency of subsidies, and rules against the forced transfer of technologies. It has been mostly downhill since then, until recently. In March 2021, the EU imposed **Xinjiang-related human rights sanctions** – the first time that the EU had imposed such sanctions on Beijing since the events in Tiananmen Square in 1989 - and which was met by China's countersanctions on EU parliamentarians and non-government organizations. In Fall 2021, following the coming into effect of **China's Data Security Law (DSL) and its data localization provisions**, the co-funding of EU projects with China's National Natural Science Foundation came to a standstill. In February 2022, the EU hauled China to the WTO's dispute settlement system claiming that Chinese courts had issued decisions, known as "**anti-suit injunctions**", that effectively prevented EU tech companies from protecting their high-tech patents, and underlying technologies, and which had frustrated the purposes of the TRIPS agreement. Earlier that January, the EU had also complained at the WTO DSB that China was arbitrarily restricting the trade in goods from **Lithuania**. And in late-February 2022, Vladimir Putin hammered a giant nail into EU-China relations by invading Ukraine and dragging Beijing in the mud through guilt by association in the EU's eyes. All along moreover, the EU kept spitting out a number of economic security instruments, such as the international procurement instrument (of August 2022), the anti-coercion instrument (of December 2023), and the foreign subsidies regulation (of July 2023), whose primary focus was trained on China (China built out its countermeasures toolkit too during this period). All the in-depth investigations under the foreign subsidies regulation have so far been directed

against Chinese entities. An EU Forced Labor Regulation also entered into force in December 2024. China's massive \$400 trade billion surplus vis-à-vis the EU in 2022 did not help matters either (that surplus has come down by a \$100 billion since), leading among other things to the imposition of definitive **countervailing duties on imports of battery electric vehicles** from China in October 2024

Over the past year or so though, an ever-so-slight turning of the page has been evident in EU-China relations. In March 2024, Beijing relaxed its data security export assessment triggers as well as provided clarity on the handling and export of "important data", as part of its **revision of rules regulating cross-border data flows**. The relaxation was welcomed by EU businesses based in China. In January 2025, **Brussels dropped its Lithuania-related case** at the WTO following remedial actions by Beijing. In early-April 2025, it was reported that China and the EU would resume their price undertaking-related negotiations with regard to the **imports of Chinese battery electric vehicles** (Beijing is simultaneously pursuing a case against the EU at the WTO). Also, in April, a WTO panel ruled in favor of Beijing on the "**anti-suit injunctions**" case, thus kicking the case over, more importantly, to the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) that both Beijing and Brussels have signed onto in order to visibly display their support for trade multilateralism. And in late-April, it was reported that China was poised to **lift its human rights-related countersanctions against EU parliamentarians** – in turn, paving a way to **unfreeze the Comprehensive Agreement on Investment** deal (the agreement will require updating though). Ironically, the EU is the party now demanding forced transfer of technology - in this case, battery electric vehicle technology. Both the EU and China have also vowed to protect the Paris Climate Agreement process, given the re-departure of Trump 2.0 from the agreement. When President Xi Jinping and Commission President Ursula von der Leyen meet in Beijing later this July to commemorate the 50th anniversary of diplomatic relations, they will have the tailwind behind their backs. If they succeed in deepening their ties, Donald Trump might be worthy of a shoutout.

[Expanded Reading]

- [China and EU Explore Minimum EV Prices over Tariffs](#), *Manufacturing Digital*, April 14, 2025
- [China Wants Partnership With EU To Counter US 'Abuse', Says Envoy To Spain](#), *Reuters*, April 16, 2025
- ['It's Unlike Anything We Have Seen Before': European Union Left Reeling After Trump's First 100 Days](#), *CNBC*, April 29, 2025
- [US-EU Sanctions Divergence Would Spell Trouble For Multinational Companies](#), *Atlantic Council*, April 30, 2025
- [Why Europe Fears A Flood Of Cheap Goods From China](#), *The New York Times*, April 14, 2025
- [GSK 'Well Positioned' For Potential Tariffs After Beating Forecasts](#), *Reuters*, April 30, 2025
- [As China Eases Up On EU Lawmakers, Brussels Stays The Course On Xinjiang Sanctions](#), *South China Morning Post*, April 24, 2025
- [China To Lift Sanctions On Members Of European Parliament](#), *Reuters*, April 30, 2025



[Legislative Developments]

- Reps. Rob Wittman (R-VA) and Kathy Castor (D-FL) have introduced the *Finding ORE Act* to facilitate international partnerships for mapping and developing critical mineral resources to reduce the U.S.' reliance on China.
- Rep. Tom Tiffany (R-WI) initiated a House resolution seeking America's exit from the World Trade Organization, citing the body's fundamental flaws and detrimental impact on U.S. interests and sovereignty.

[Hearings and Statements]

- The House China panel has called for stricter AI chip export controls after revealing that the Chinese firm DeepSeek developed its flagship AI model using Nvidia chips that circumvented U.S. restrictions.
- Led by Sen. Elizabeth Warren (D-MA) and Rep. Linda Sánchez (D-CA), nearly 50 Democrats have accused the Trump administration of enabling corruption through tariff exemptions, warning USTR Jamieson Greer that the administration's policy is "rife" with opportunities for self-dealing and favoritism.
- Earlier, Democratic lawmakers—including Senators Elizabeth Warren (D-MA), Ron Wyden (D-OR), Chuck Schumer (D-NY), Adam Schiff (D-CA), Mark Kelly (D-AZ), and Ruben Gallego (D-AZ)—launched multiple investigations into potential market manipulation related to President Trump's sudden tariff pause, calling on the SEC to examine whether advance knowledge of the decision was improperly used for financial gain.
- House Ways & Means Vice Chair Vern Buchanan (R-FL) emphasized the importance of his recent trade-focused trip to Belgium, Moldova, Romania, and Greece, expressing support for the Trump administration's efforts to pursue a fair and balanced trade agreement with the EU and calling for sustained engagement to advance the negotiations.

[Expanded Reading]

- [Representatives Castor & Wittman Introduce Bipartisan, Bicameral Bill to Strengthen U.S. Role in Mapping Global Critical Mineral Resources](#), Office of Rep. Kathy Castor (D-FL), April 17, 2025.
- [Rep. Tiffany Introduces World Trade Organization Withdrawal Measure](#), Office of Rep. Tom Tiffany (R-WI), April 10, 2025.
- [Warren, Sánchez, Chu Lead Democrats in Raising Concerns about Corruption Risks from Trump Chaotic Tariff Scheme](#), Office Of Sen. Elizabeth Warren (D-MA), April 17, 2025.
- [Democrats call for insider trading investigation over Trump's tariff pause](#), The Guardian, April 11, 2025.
- [Buchanan Leads Bipartisan Delegation to the EU. Applauds Trump's Potential US/EU Trade Agreement](#), Office of Congressman Vern Buchanan (R-FL), April 21, 2025.