

July 11, 2025

Volume 5, Issue 14

Online ISSN 2837-3863
Print ISSN 2837-3855

What's Been Happening

1 — Liberation Day Tariffs Pushed Back by Three Weeks *for now* — 1

[In One Sentence]

- President Trump threatened new tariffs of 25–40% on imports from 14 countries, including allies like Japan and South Korea, citing trade imbalances and stalled negotiations.
- Both Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick confirmed that President Trump's country-by-country tariffs will take effect on August 1 for nations that fail to reach new trade deals by the negotiation deadline of July 9.
- Secretary Bessent also announced that the Trump administration plans to wrap up all trade negotiations by September 1.
- On July 2, President Trump announced a new trade deal with Vietnam which will lower U.S. tariffs on Vietnamese imports from 46 percent to 20 percent and separately impose a 40 percent tariff on trans-shipped goods that are primarily manufactured in China.
- President Trump said the U.S. was unlikely to reach a trade deal given that Tokyo refuses to provide the U.S. additional agricultural market access.
- Canada agreed to rescind its digital services tax ahead of renewed trade talks with the U.S., with both countries aiming to reach a deal by July 21.
- South Korea's recently-sworn in government under President Lee Jae-myung is seeking to accelerate full-scale trade negotiations with the Trump administration before (and after) the July 9 tariff deadline.
- The European Union is seeking to finalize a preliminary trade agreement with the United States to avoid a steep tariff hike on August 1, especially for sensitive sectors like aircraft and wine.
- Brussels also warned Washington on its countermeasures, with the two sides having run into an impasse on sectoral tariffs (autos, metals) and on digital trade and competition regulation.

[Mark the Essentials]

- The U.S.-Vietnam agreement appears to be a flexible framework, with further negotiations expected. In return for the tariff reduction, Vietnam will grant preferential market access to U.S. products.

- The enforcement of the 40% tariff over transshipped goods remains unclear, especially in defining local value-added versus transshipped content.
- Despite President Trump's complaint on the lack of additional access to Japan's rice market, Tokyo remains firm on protecting its farmers and imposing heavy tariffs on rice imports beyond an import cap, citing food security concerns and efforts to manage domestic prices.
- With the July 9 deadline having passed, Japan is at risk of a 24% reciprocal tariff and a separate 25% auto duty, despite offering to boost imports of American gas and defense goods.
- Canadian Prime Minister Mark Carney announced that Canada will revise its retaliatory tariffs on U.S. steel and aluminum on July 31, based on progress in trade talks with the U.S. In parallel, Canada will impose new trade safeguards, including tariff-rate quotas on steel from non-FTA countries and restrictions with regard to federal procurement.
- EU Competition Commissioner Teresa Ribera announced that the Digital Markets Act (DMA) will not be part of the U.S.-EU trade negotiations. The U.S. has long criticized the DMA for allegedly targeting American tech firms.
- In addition to trade issues, President Trump is considering new tariffs on India (and other BRICS countries) due to its role in BRICS, which he views as "anti-American" and a threat to the U.S. dollar. Brazil's government meantime is to be slapped with 50% duties (incredibly!) for its witch hunt of ex-President Jair Bolsonaro, colloquially known as the 'Trump of the Tropics'.
- Malaysian Prime Minister Anwar Ibrahim said he will urge U.S. Secretary of State Marco Rubio for lower tariffs during their meeting, following Trump's threat of a 25% levy on Malaysian goods. The two sides meet at the 2025 ASEAN summit in Kuala Lumpur.

[Keeping an Eye On...]

- Who knew that Donald Trump, a man known for shooting his mouth off, is also a copious and diligent letter writer. Twenty-one letters and counting, carved from his heart, have been issued this week, and the week's work isn't even done. If only he was as good a dealmaker as he is a letter writer. In which case, many of the U.S.' merchandise trade ills, a topic dear to Mr. Trump's heart, would be on the glide path to resolution. At this time, just one deal, or rather its general terms, is definitively done – the one with the United Kingdom, and another one (with Vietnam) presumably done – if Trump's Truth Social post is worth going by. There is no official text, fact sheet, or statement issued regarding the general terms of the Hanoi deal even though it has been a week since its supposed conclusion. Per the U.S. president, Vietnamese goods will now face a 20% tariff, trans-shipped goods – presumably a reference to China – via Vietnam will face a 40% levy, while U.S. products will face zero tariffs. Whether Mr. Trump is capable, or interested, in distinguishing between genuine Vietnamese value addition within the Asia-Pacific's regional value chains – a good amount of which is dependent on Chinese intermediate inputs, and other goods that might be transshipped via Vietnam, remains to be seen. Bad ideas, such as the imposition of tariffs on downstream goods that are substantially transformed outside China but contain critical China-origin inputs, should not be wholly ascribed though to Mr. Trump. The antechamber for such ideas was crafted by the protectionist Biden administration. Meanwhile, general framework deals with India and the European Union hang in the balance – which means that they may not be the lucky recipients of a beautiful letter from the American president but will nevertheless have until August 1st to finalize the terms of their framework deals. Judging from the various missives this week, one thing is clear: almost every Indo-Pacific country is on Mr. Trump's

trade grievance list. Every East and Northeast Asian countries, except dear Comrade Kim, has received a letter (Japan, South Korea) or is locked in some form of negotiating framework (China, Taiwan region), howsoever preliminary, with Washington. Eight of 10 ASEAN countries, including mighty Laos, are the recipients of Trump's letters too (Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Philippines, Brunei, Laos). Ironically, Singapore, which registered a massive current account surplus of 17.5% of GDP in 2024 was not on the letter writing list. And in South Asia, Bangladesh and Sri Lanka have received letters too, and as previously noted, India is in the midst of discussions on a framework deal. And by the way, sectoral tariffs on copper, pharmaceuticals, semiconductors and trucks are also in the pipeline, and likely to hit allies and partners just as hard as adversaries. The Liberation Day tariff rollout is just the appetizer.

The United States was once the engine of prosperity for the Asia-Pacific region. It safeguarded the sea lines of communication so that natural resources could be shipped from the Middle East to the Asia-Pacific. It provided large capital investments and furnished managerial talent to help fire up Asia's economic engines. And it kept import duties low and served as a consumer of first and last resort for these Asia-Pacific economies as they exported their way out and moved up the ladder of prosperity. Trade policy was as much a part of the success of U.S. policy in the Asia-Pacific as its deterrence capabilities and defense obligations were. What does this say about Trump's policy today? Not only does the United States no longer have a positive economic vision for the future, but that the economic policy itself is now framed in adversarial terms. The prosperity that is to be engendered is to be engendered at home to 'make America great again'. If that be at the expense of allies and partners in the region, so be it. And in addition, these allies and partners need to pony up additional funds to secure their own defenses. The American president is probably thinking that he is driving a smart and hard bargain. The truth of the matter is that he is not just forfeiting political capital in Asia but that he is gravely marginalizing America's role as a long-term geopolitical player in Asia. Without an economic strategy for Asia, the U.S., cannot be a lasting player in the region. And it will just be a matter of time before the U.S.' defense obligations are called into question too.

[Expanded Reading]

- [Trump's BRICS Warning to India Adds New Twist to Trade Deal](#), *Bloomberg*, July 9, 2025
- [Malaysia's Anwar to Seek Lower Tariffs in Meeting With Rubio](#), *Bloomberg*, July 8, 2025
- [South Korea Eyes Further Negotiations as US Sets New Tariff Deadline](#), *The Korean Herald*, July 8, 2025
- [EU Rushes to Conclude Framework Trade Deal With US This Week](#), *Bloomberg*, July 7, 2025
- [Trump Announces Tariffs of at Least 25 Percent on 14 Countries](#), *The Washington Post*, July 7, 2025
- [Trump Team Moves Goalposts on Tariffs Again](#), *Politico*, July 6 2025
- [Lutnick Says Trump's Tariffs Will Take Effect on Aug. 1](#), *Bloomberg*, July 6, 2025
- [Bessent Says He Expects Trade Deals by This Week's Deadline](#), *The New York Times*, July 6, 2025
- [Trump's Vietnam Pact Takes Aim at China — But It Raises More Questions Than Answers](#), *CNBC*, July 4, 2025
- [Trump Says He Will Put 20% Tariff on Vietnam's Exports](#), *Reuters*, July 3, 2025
- [Trump Announces Trade Deal with Vietnam](#), *BBC*, July 2, 2025
- [Japan Faces '30%-35%' Tariff as Trump Doubts Deal by Deadline](#), *Nikkei Asia*, July 2, 2025
- [How U.S.-Japan Tariff Talks Got Stuck on Cars and Rice](#), *The New York Times*, July 2, 2025
- [Japan Says It Won't Sacrifice Farm Sector for Tariff Deal after Trump Rice Complaints](#), *Reuters*, July 1, 2025
- [EU Won't Negotiate on Tech Rule Books in Trump Trade Talks, Brussels Says](#), *Politico*, July 1, 2025
- [US, Canada to Resume Trade Talks after Ottawa Drops Digital Tax](#), *Reuters*, June 30, 2025
- [China Confirms Details of U.S. Trade Deal](#), *CNBC*, June 27, 2025

2 — Roadblocks Remain as EU-China Summit Nears — 2

[In One Sentence]

- On July 6, China announced that it will impose import restrictions on government purchases of EU medical devices worth over 45 million yuan and will also limit imports of non-EU devices containing more than 50% EU components.
- EU Commission President Ursula von der Leyen and Chinese Foreign Minister Wang Yi pledged deeper cooperation on global challenges and mutual economic interests at the 13th EU-China Strategic Dialogue in Brussels on July 3.
- European Council President António Costa met with Wang Yi, with Wang emphasizing the need for stronger China-EU coordination amid global instability, highlighting shared support to deepen ties despite ongoing trade tensions and policy uncertainties.
- During the dialogue, EU High Representative Kaja Kallas and Wang Yi discussed rebalancing trade, reaffirmed commitments to cooperation, and emphasized the need for reciprocity in trade from China.
- Kaja Kallas urged China to lift rare earth export restrictions, warning that current Chinese practices threaten global supply chains ahead of the upcoming leaders' summit in China.
- During a visit to Berlin on July 3, Wang Yi sought to ease European concerns over China's rare earth export restrictions, calling them standard controls on dual-use goods and assuring that Europe's needs would be met once the proper paperwork had been put in.

[Mark the Essentials]

- Despite limited agreements, divisions on security remained an obstacle in their overall discussions. The EU criticized China's support for Russia's war effort and rare earth export restrictions, while China emphasized neutrality and multipolar cooperation.
- Despite Wang Yi's attempt to ease the EU's concerns, German Foreign Minister Johann Wadepuhl warned China's rare earth controls were damaging Beijing's reputation as a reliable trade partner.
- It is reported that China is considering cancelling the second day of the upcoming EU-China summit, originally planned to include a business-focused event in Hefei. The summit is to be now limited to one day in Beijing and focus more on strategic than economic discussions.
- China's latest tariffs on EU goods is a retaliation that follows the EU's recent move to bar Chinese firms from participating in large public tenders for medical equipment, citing unfair access for EU companies in China.
- China imposed five-year anti-dumping tariffs of up to 34.9% on brandy from the EU on July 5. The tariff mainly covers French cognac, and is perceived as retaliation towards EU tariffs on Chinese-made EVs. The tariffs though will be set aside for minimum import price guarantees provided by the French cognac producers.
- French Finance Minister Eric Lombard called for stronger European tariff protections against Chinese imports, warning that China's industrial overcapacity threatens to overwhelm European industries. Lombard also pointed to the opportunity for closer Franco-German cooperation under Germany's new government to address these challenges.

[Keeping an Eye On...]

- After a number of false starts, and with the 50th anniversary commemoration of their diplomatic relations fast approaching, will this be the moment when China and the European Union start over? No. Absolutely and decisively, no. And it is a decisive no primarily because the Chinese side has for the most part failed to walk its talk on starting over and deepening ties. This is not the first time that Beijing has been accused of this failing, with ‘promise fatigue’ being a persistent factor in China’s other major relationships too. No doubt, there have been minor China-EU deliverables such as the removal of some tit-for-tat human rights-related sanctions and productive discussions on price undertaking arrangements for European brandy and Chinese battery electric vehicles. But on the single most important priority for the European Commission – the reform of China’s industrial policy support system and, relatedly, access for European foreign-invested companies in China to China’s procurement market for advanced manufactured goods, Brussels has drawn a blank. To the contrary, the two sides have exchanged tit-for-tat fire on medical devices’ procurement in their respective markets. And China’s recent dual-use export controls on rare earths, announced hastily in early April and without giving requisite thought to post-announcement implementation modalities, has only compounded the tensions.

China may be a developing country but it is fast becoming an advanced manufacturing superpower. Its peer competitors are no longer in emerging markets; Chinese firms engage in head-to-head competition with advanced economy firms in Western markets. Unsurprisingly, they are less willing to allow the Chinese government to place its thumb on the scales and tip the competitive balance in favor of Chinese competitors. Medical devices is only the latest sector where European competitors are witnessing their competitive advantage being winnowed down by a combination of unfair Chinese government industrial support measures backed by procurement preferences that favor domestic local players and shut-out European competitors, even if they have a foreign-invested presence in China. And so, in response, the European Commission has lost its hesitancy to wield its coercive trade policy tools such as its Procurement Instrument and Anti-Subsidies Regulation against Beijing. The Europeans might come across as soft and discombobulated on many global policy issues, given that they imagine themselves to be a ‘community’ when they are in reality just a collection of nation-states with overlapping interests. But on trade, Europe has been a unitary actor for many decades now, and through its trade policy instruments has even managed to keep U.S. unilateralism at bay in its bilateral dealings. China will not succeed where the U.S. hasn’t. And all that it will end up doing, ultimately, is fritter the opportunity to deepen EU-China ties in numerous areas, ranging from AI and data regulation to climate change remediation, where the two sides share much in common. It goes without saying further that given that Beijing is gravitating from being a trade superpower to a trade *and* investment superpower, it is in its own interest to ensure fair rules-of-the-road on the investment and industrial policy front. Hopefully, this is the direction that President Xi Jinping will take, and that his recent play of blowing cold on the Europeans (aided consummately by Commission President von der Leyen’s blowhard talk against China) has more to do with letting the Euros stew for a while under Trump’s reckless tariffs after Brussels had played too chummy with Washington – for Beijing’s liking - during the Biden years. Indeed, looking back, when Xi Jinping announced earlier this year that he would not be traveling to Europe to commemorate the 50th anniversary of EU-China normalization of ties (which is the reason the EU delegation is coming instead to Beijing), one should have known that he was planning to play the waiting game and really didn’t see the occasion as

an opportunity to be grasped within the three-way EU-China-US dynamic. And hence, his obstinacy on implementing reforms to the Europeans' liking.

[Expanded Reading]

- [EU to Protect Airbus in US Trade Deal as Ferrari to Lose Out](#), *Bloomberg*, July 8, 2025
- [China Retaliates Against EU Ban with Import Restrictions on Medical Devices](#), *Reuters*, July 7, 2025
- [China Spares Major Cognac-Makers in Trade War](#), *Reuters*, July 5, 2025
- [France Urges Tariff Barriers to Stop China From Killing Industry](#), *Bloomberg*, July 5, 2025
- [EU, China Hold 13th Strategic Dialogue](#), *Emirates News Agency*, July 4, 2025
- [President of the European Commission Ursula von der Leyen Meets with Foreign Minister Wang Yi](#), *China Daily*, July 3, 2025
- [China's Foreign Minister Dismisses European Worries over Rare Earths](#), *Reuters*, July 3, 2025
- [Wang Yi meets EC President Costa. Calls for Enhancing Understanding, Mutual Trust](#), *Global Times*, July 2, 2025
- [Wang Yi's Brussels Visit Lays Bare EU-China Rifts on Ukraine, Trade](#), *South China Morning Post*, July 2, 2025
- [EU Presses China on Rare Earths and Ukraine War](#), *Reuters*, July 2, 2025

On the Hill

[Legislative Developments]

- Senator Maria Cantwell (D-WA) announced plans to introduce a bill authorizing the White House to negotiate trade agreements with Middle Eastern countries, emphasizing diplomacy and economic cooperation as tools to stabilize the region and counter the fallout from past U.S. tariff policies.
- Senate and House Republicans have removed a provision authorizing retaliatory taxes from a fiscal year 2026 tax bill after Treasury Secretary Scott Bessent secured a deal with G7 countries to exempt the U.S. from the OECD's global minimum tax under Pillar Two.
- The U.S. Congress passed *the Big Beautiful Bill*, that includes provisions to end duty-free *de minimis* treatment for low-value imports by July 2027.

[Hearings and Statements]

- Senator Ron Wyden (D-OR) argued in a July 2 letter to U.S. Trade Representative Jamieson Greer that any trade agreements made to avoid the Trump administration's upcoming tariff hikes must be approved by Congress to be binding, challenging USTR's position that they can be concluded as executive agreements without changes to U.S. law.
- Reps. Dave Min (D-CA) and Linda Sánchez (D-CA) led sixteen House Democrats to urge top Trump administration officials to disclose details of ongoing trade talks by July 15, warning that President Trump may be using U.S. trade policy to benefit his personal financial interests, and called for transparency on negotiations, conflicts of interest, and tariff exclusions.
- Twenty-four Republican lawmakers urged USTR Greer to expand reciprocal tariff-free treatment for aerospace and defense products in trade deals, as the Commerce Department considers new tariffs under a Section 232 investigation that industry groups warn could harm exports, supply chains, and jobs.
- A group of House Democrats warned President Trump that a potential tariff-rate quota deal with Mexico on steel might allow higher import volumes than the 2019 agreement, urging transparency and consultation amid concerns that it may undermine U.S. industry and contradict the administration's reshoring goals.

- House Ways & Means Vice Chair Vern Buchanan (R-FL) urged USTR Greer to treat upcoming IMO ship emission rules as an extension of China's unfair shipbuilding practices, advocating for reciprocal tariffs and trade penalties on countries supporting the framework to protect U.S. maritime and industrial interests.

[Expanded Reading]

- [Wyden to USTR: Congress Must Approve Binding Trade Deals](#), *United States Senate Committee on Finance*, July 2, 2025
- [Reps Min, Sánchez: “This Dynamic Has Created an Ongoing Recipe for Corruption in Which President Trump Personally Stands to Benefit from Lavish Gifts, Business Deals, and Favors being Showered Upon Him and His Inner Circle in Exchange for Tariff Relief”](#), Dave Min, July 1, 2025
- [New Senate Megabill Text Eliminates Tariff Exemption for Low-Value Packages](#), *Politico*, June 28, 2025
- [Deluzio, Labor Caucus Colleagues Raise Questions, Concerns with Trump Administration Steel Trade Negotiations with Mexico](#), Chris Deluzio, June 27, 2025
- [GOP Agrees to Drop ‘Revenge Tax’ from Megabill after Bessent Cites Progress in Global Talks](#), *Politico*, June 26, 2025
- [Cantwell Announces Plan to Introduce Bill Authorizing Trade Agreement Negotiations With the Middle East](#), Maria Cantwell, June 26, 2025
- [Buchanan Opposes Global Carbon Emissions Tax in Letter to U.S. Trade Representative](#), Vern Buchanan, June 26, 2025
- [Rep. Estes Leads Letter Supporting American Aerospace Trade](#), Ron Estes, June 23, 2025