

# Special Update

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## US-China Trade Agreement: May 2025

Over the weekend of May 9–11, 2025, the United States and China concluded high-level trade negotiations in Geneva, Switzerland, marking a significant step toward de-escalating a trade war that had intensified with 145% US tariffs on Chinese goods and China's retaliatory 125% tariffs on US imports (White House, 2025, White House, 2025; Reuters, 2025, Reuters, 2025). US Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer, alongside Chinese Vice Premier He Lifeng, announced "substantial progress" and the establishment of a "trade consultation mechanism" to address ongoing economic issues (New York Times, 2025, ew York Times, 2025; Politico, 2025, Politico, 2025). Both sides described the talks as "candid, in-depth, and constructive," with a joint statement released on May 12 detailing a temporary tariff reduction agreement (CNN, 2025, NN, 2025; ABC News, 2025, BC News, 2025).

The agreement includes a 90-day tariff reduction period starting May 14, 2025, with the US lowering tariffs on Chinese goods from 145% to 30% (comprising a 10% base tariff and a 20% fentanyl-related duty) and China reducing tariffs on US goods from 125% to 10% (GlobalMktObserv, 2025, lobalMktObserv, 2025; PatrickMoorhead, 2025, PatrickMoorhead, 2025). This ceasefire aims to facilitate further negotiations, though sector-specific tariffs on steel, aluminum, autos, rare earths, and advanced semiconductors remain in place (PatrickMoorhead, 2025, PatrickMoorhead, 2025). The talks also addressed the US trade deficit, which President Trump has labeled a national emergency, and China's concerns over export controls (USAToday, 2025, USAToday, 2025). Chinese officials emphasized a "win-win" approach, with Vice Commerce Minister Li Chenggang noting the agreement's potential to benefit global trade (ABC News, 2025, BC News, 2025).

While the deal does not fully resolve tensions, it has boosted market optimism, with S&P 500 E-minis rising 1.3% and Nasdaq futures gaining 1.6% on May 11 (Reuters, 2025, Reuters, 2025). However, analysts caution that a return to normal trade relations remains distant, with tariffs above 50% still posing challenges (Guardian, 2025, Guardian, 2025).

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