Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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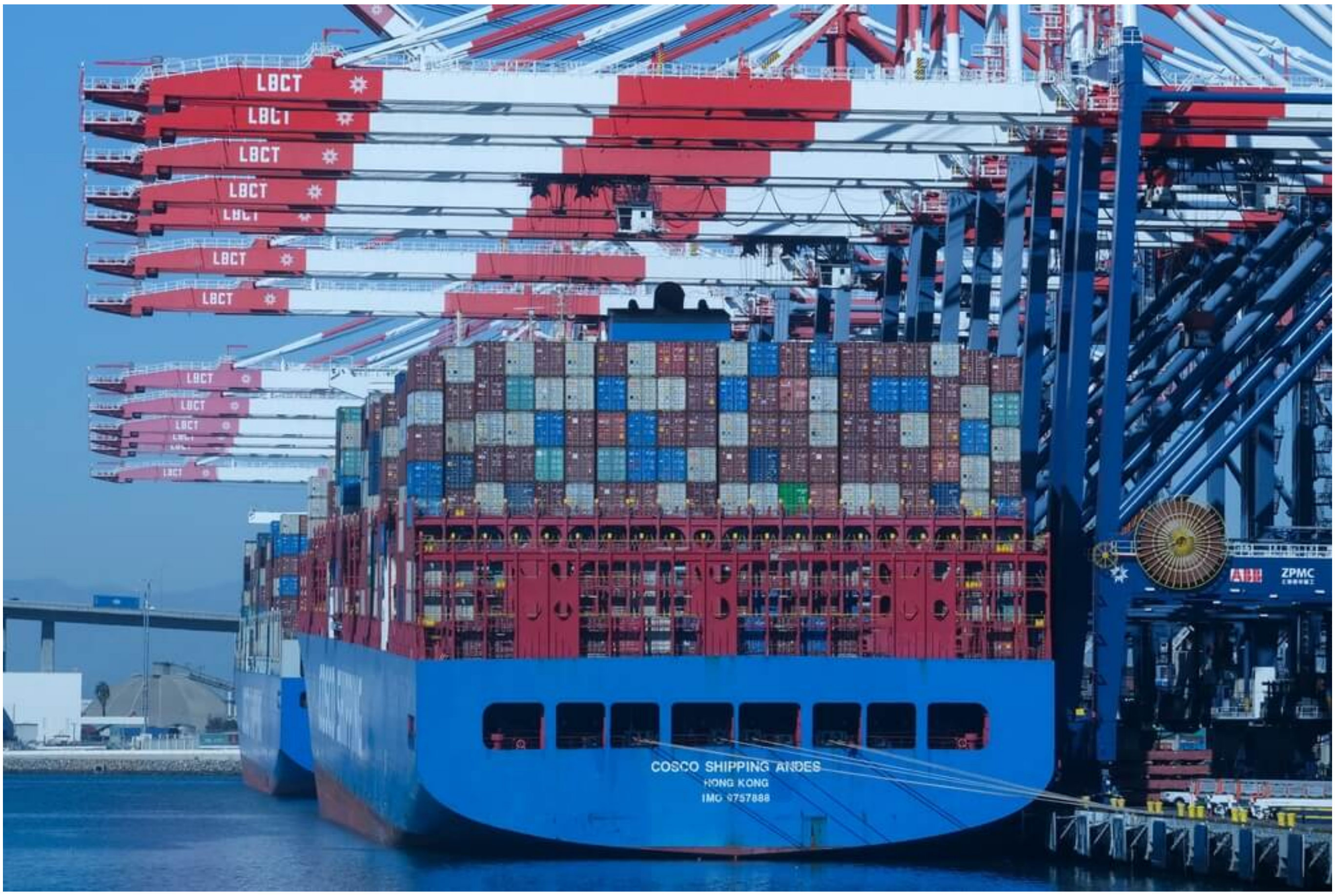
What is the scope of US-China talks on easing trade tensions?



On 10 May, high-level officials from the United States and China will sit at the negotiating table in Geneva for the first time since the beginning of the year with the aim of easing trade tensions that have strained global supply chains.

The American delegation will be led by Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer, while the Chinese position will be represented by Vice Premier He Lifeng, a close associate of President Xi Jinping.

As a neutral host, Switzerland provides a diplomatic framework that should focus on reducing tariffs, regulating subsidies, and controlling the export of strategically important technologies.

The trade dispute between Washington and Beijing has been ongoing since 2018 but reached a new dimension in January 2025 when the US administration imposed 145% tariffs on a wide range of Chinese products.

Beijing's retaliatory measure included tariffs of around 125% on key US exports, from soya beans and petroleum products to machine parts.

This reaction was not limited to the two countries: electronics, automotive and pharmaceutical manufacturers reported supply disruptions, while global manufacturing indicators showed a decline in the first quarter of 2025.

Due to the high tariffs, many factories had to reroute production or look for alternative suppliers, resulting in additional logistics costs and the introduction of new customs procedures.

Multinational companies need predictability

Experts estimate that companies' operating expenses have increased by more than 7% compared to the end of 2024, while the delivery of raw materials has often been delayed due to more complicated procedures.

As a result, planned capital investments in high-tech sectors have been delayed, and managements have postponed the announcements of new investments until they have a clearer picture of the future of trade.

The announcement of the Geneva meetings immediately changed the tone on the financial markets.

The S&P 500 rose by around 1% on the day of the announcement, while gold declined by around 2% as pressure on safe-haven assets eased.

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In Shanghai, the yuan stabilised after earlier fluctuations, and Chinese government bonds fell slightly due to expectations that the talks would ease export pressure.

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Before the talks began, on 6 May, the People's Bank of China cut seven-day reverse repurchase rates by 10 basis points and commercial banks' required reserves by 50 basis points, providing nearly one trillion yuan of additional liquidity to the market.

This move signalled to investors Beijing's intention to mitigate the impact on exporters, while simultaneously the Ministry of Commerce issued an official statement cautioning against any attempts at "forced concessions" that could jeopardise strategic sectors.

China has thus clarified that it will not accept any unilateral concessions but is seeking a compromise within the framework of mutual market liberalisation.

The establishment of monitoring mechanisms

The most important issues on the Geneva agenda fall into four categories. First, reducing taxes on semiconductors, medical devices, and capital products; second, managing subsidy policies to stop unfair benefits for local manufacturers; third, aligning technical and regulatory standards to ease bilateral investments and public procurement; and fourth, increasing control over the export of technologies of strategic importance—particularly those linked to artificial intelligence and telecommunication networks.

Although a full package of concessions is unlikely, the realistic goal is the formation of working groups and the establishment of monitoring mechanisms.

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Scott Bessent, a former Wall Street partner, has been warning for months that the current tariff regime "jeopardises American expansion," and he is calling for a more pragmatic approach to trade.

Jamieson Greer brings experience from negotiations within the World Trade Organisation, while He Lifeng balances the political functions of the party with the interests of Chinese industrial lobbyists.

Additional balance is provided by the President of the Swiss Confederation, Karin Keller-Sutter, who ensures a diplomatically calm environment with her ceremonial receptions for the delegations.

The possible directions

When considering the possible directions, the analysts define three scenarios. In the most likely scenario, the delegations agree on a framework for further technical exchanges and the formation of working groups—without an immediate reduction in tariffs.

In the second scenario, limited tariff reductions on strategic products are possible, provided both sides open key markets.

The third, and least likely, possibility is that the talks conclude with a broad commitment to "strengthen dialogue" without specific actions.

Any change in relations between Washington and Beijing will also affect the European Union.

Brussels, which has resisted pressure on the metals sector for the past two and a half years, will have to weigh up whether to align itself with the US-China positions or continue on its own course to protect its domestic industry.

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In parallel, China has intensified talks with the EU on digital regulation and green technologies, creating alternative avenues for co-operation (just in case).

In the medium term, symbolic concessions from Geneva could lay the foundations for a trading system with three centres—the United States, the European Union, and China—in which partial agreements and strategic partnerships will prevail instead of uniform rules.

In such an environment, technology standards, climate targets and financial transparency will become important competitive instruments, no less important than tariffs.

Smaller markets and developing economies will be forced to choose a bloc whose policies guarantee privileged status, while sectors with no strategic value will be marginalised.

This process may further accelerate fragmentation but will at the same time create room for more flexible arrangements adapted to regional specificities.

A struggle for normative sovereignty

The Geneva talks are, therefore, not only a test of willingness to make mutual compromises but also of the ability to reorganise the global trade structure.

If the model of selective co-operation is confirmed, the next decade of trade relations will become a struggle for normative sovereignty, not just a race for market share.

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The meeting in Geneva will mark a significant shift in investment flows for countries in South-East Asia, Latin America, and Eastern Europe.

If symbolic concessions are made—for example, a partial reduction in tariffs—companies will relax their regionalisation plans and return some of their production to global supply chains.

If negotiations remain at the level of declaratory promises without concrete steps, companies will continue to fully diversify suppliers and accelerate the development of local production and storage capacities.

In the worst case, if even declarations are not followed by announcements of further talks, there will be an accelerated withdrawal from interdependent models and a complete fragmentation of existing supply chains.

The next six months will be decisive in determining how US policy develops ahead of the congressional elections in November 2025.

A real easing of tariffs by then could strengthen the current administration's narrative, while Beijing would try not to lose its reputation as a negotiating partner in the face of weakening domestic demand.

If a phased plan for tariff elimination is agreed at the Geneva talks in conjunction with the ratification of bilateral investment treaties, we can expect a period of relative predictability. Otherwise, markets should be prepared for new waves of volatility.

Although the talks in Geneva will be conducted with a diplomatic sense of proportion, their outcome will be a crucial test of the ability of the world's largest economies to manage mutual competition without completely fragmenting the trade order.

If negotiators succeed in lowering tariffs and paving the way for concrete trade agreements, the space will open up for a new dynamic of global exchange.

Otherwise, refusal to compromise will fragment existing supply networks, push investment to local centres and trap economies in regional tariff bubbles.

The outcome from Geneva will not only shape the coming months but also the framework conditions for open trade and economic stability for the entire decade.