



By: Tomorrow's Affairs Staff

No escalation, no deal - Washington and Beijing trade deadlock



Trade relations between the US and China have entered a new phase of stagnation, not because of a sudden escalation, but because of a deliberate decision to postpone further steps.

During two days of talks in Stockholm, the delegations of the United States of America and China **agreed** that the existing tariff pause should not be formally ended but extended until 12 August.

Although no concrete agreement was reached and no document was signed, both sides refrained from taking any new measures.

This temporary status quo best illustrates the current nature of relations between the world's two leading economies: neither a rapprochement nor a break, but a controlled postponement of the decision.

The agreement from Stockholm does not address any of the fundamental issues that burden trade.

It does not relax the tariffs that have already been introduced, does not regulate the rules for the export of rare earth metals, does not introduce any mechanisms to protect intellectual property, and does not define any technological standards.

Instead, it confirms that the parties have decided to temporarily refrain from further unilateral measures - until the President of the United States, Donald Trump, **makes** a final decision.

The decision is not procedural but personal. Trump conducts trade policy directly, outside the institutional forms of the State Department and the Office of the Trade Representative.

According to the White House, the President himself will **make** the decision on the possible extension of the tariff pause for another three months, "based on a strategic assessment of the impact on the American economy."

This criterion leaves a great deal of room for

political discretion.

Protecting the American digital infrastructure

The American delegation in Stockholm **consisted** of Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer. Their message was characterised by caution: the US is not prepared to lift the new tariffs introduced in April (which affect more than \$300bn worth of Chinese goods), but it is also not prepared to increase them further — at least not until a new review period has passed.

On the other hand, Chinese Vice Premier He Lifeng has **expressed** Beijing's willingness to "continue talks in a constructive tone with the aim of avoiding destabilising trade flows."

At first glance, this is a technical issue. But in reality, the status of US tariff policy towards China determines global trade flows.

The investment plans of multinational companies in Southeast Asia, export quotas from China, the structure of production chains in Europe, and the flow of raw materials - particularly rare earths - across the technology sector all depend on Washington's decision.

The consequences are already visible. In anticipation of a possible escalation, a number of US importers increased their orders from China in June and July to replenish their stocks.

According to the International Monetary Fund, this "artificial saturation of the market ahead of the tariff measures" is responsible for some of the growth in the global economy in the second quarter of 2025, which is why the growth forecast has been **revised** upwards — from 2.8% to 3.0%.

But the same report warns that such growth is not sustainable if tariffs are fully reintroduced.

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Chinese **exports** to the US have already fallen by 14% in the first half of the year, while exports to ASEAN countries and Africa have grown.

The Chinese authorities, aware of the restrictions on access to the American market, have increased government subsidies for companies marketing goods to Europe, the Middle East and Latin America.

But reliance on American components, particularly in the area of advanced chips and industrial automation, remains a critical vulnerability.

Beijing is trying to build its own manufacturing base, but without access to key American technologies, the process is slow and risky.

This is why China is insisting on the removal of tariffs in high-tech sectors and the lifting of restrictions on the export of AI components.

However, the USA refuses to make concessions in this area, citing security reasons.

Secretary Bessent **explained** in Stockholm that "there is no room for compromise when it comes to protecting the American digital infrastructure".

Formally exempt, practically affected

For Europe, which is not taking part in the official negotiations, this development has direct **consequences**.

Germany and France have repeatedly **warned** that a continuation of the tariff war between the United States and China will destabilise

European supply chains.

Electronic components, medical devices, batteries, and renewable energy systems are already affected by rising input costs.

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Although European manufacturers are formally exempt from the US measures against China, they are suffering the consequences in the form of market distortions and rising production costs.

In the UK, the pharmaceutical and automotive electronics sectors are particularly at risk. According to the Office for National Statistics, China is major **supplier** for many UK industries, with the majority travelling through intermediate markets in Germany and the Netherlands.

If US tariffs were to return to April levels, the impact would also be felt on UK export quotas to Asia and the Middle East.

A temporary pause, not stability

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According to analysts at the Peterson Institute for International Economics, the most likely **scenario** is a "conditional extension" of 90 days, maintaining the existing tariffs but without new measures.



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Such a move would allow Washington to buy time without policy changes until China makes additional concessions in further rounds of negotiations.

Should the truce be broken, the impact would be swift. Tariffs would automatically rise by a further 15% on more than 2,000 product categories, including electronics, textiles, machine tools, and electrical components.

China would almost certainly respond with reciprocity, possibly imposing new restrictions on exports of key commodities.

This would mean a return to the situation of 2020-2021, when the world was already divided into parallel trading systems. This time, however, it is not about a pandemic but about a long-term political decision coming from the centre of the American executive branch.

As long as trade relations between the two leading economies are based on temporary agreements with no institutional basis, the markets will remain in a state of uncertainty.

The current pause is not an expression of stability but a temporary pause. When the pause ends, it is widely expected that the next step will again be unilateral.