

China and the U.S. will start talking about tariffs, but don't expect much

A best-case outcome could involve President Trump agreeing to dial down or pause the highest taxes on imports from China.

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U.S. and Chinese negotiators are scheduled on Saturday to open talks in Geneva amid hopes that both governments may be prepared to step back from an open economic confrontation.

Speaking at the White House on Wednesday, the president said flatly that he would not lower the existing 145 percent tariffs on Chinese goods to facilitate a deal. But with China having imposed its own triple-digit taxes on American products, trade between the two countries has slowed to a trickle. And businesses from toymakers to Midwestern farmers are stepping up their complaints about the resulting economic damage.

“This is the end of rhetoric and the beginning of reality. And the reality is we really need trade to flow,” said Jeff Moon, a former U.S. trade negotiator during the Obama administration. “I think there will be something tangible [from the meetings] only because of economic necessity.”

The administration announced the talks with Chinese officials in a pair of muted press releases Tuesday evening. Under the headline “Secretary of the Treasury Scott Bessent to travel to Switzerland,” the department said the secretary would hold talks with the Swiss president on “rebalancing the international economic system.” Only in a final sentence did the department mention the planned meeting with a top Chinese diplomat.

Joining Bessent in Geneva will be U.S. Trade Representative Jamieson Greer.

The Chinese delegation will be headed by Vice Premier He Lifeng, a longtime political ally of President Xi Jinping boasting deep experience with China's state-centric economic model. In the 1980s, when Xi was deputy mayor of the port city of Xiamen, He was the city's finance director. The two were sufficiently friendly that He reportedly attended Xi's 1987 wedding to the popular Chinese folk singer Peng Liyuan.

A best-case outcome could involve the president agreeing to dial down or pause the highest taxes on imports from China, according to specialists in trade between the two nations. Even a dramatic reduction in the existing tariffs, however, would still leave significant impediments to U.S.-China trade, which could imperil importers with thin profit margins, Moon said.

“They need to find a way to climb down. The prospect of serious economic harm is imminent,” he added.

Indeed, the number of container ships arriving at the Port of Los Angeles, the main U.S. gateway for transpacific trade, is expected to be about one-half of normal through the end of the week, the nonprofit Marine Exchange of Southern California said Tuesday evening. That means fewer televisions, laptops, exercise bikes, sofas and industrial parts headed to American store shelves.

Toymaker Hasbro said recently that Trump's China tariffs would cost it \$300 million and force it to raise retail prices.

Two days of talks in the lakeside Swiss city are not expected to resolve the long list of disputes dividing the world's two largest economies. U.S. complaints about what the Trump administration has called "unfair" Chinese trade practices have been the subject of years of unsuccessful diplomatic bargaining.

"A realistic goal is probably at best a pullback from the sky-high bilateral tariffs but that would still leave in place high tariff barriers and various other restrictions on financial and technology flows between the two countries," said Eswar Prasad, a Cornell University professor and former head of the International Monetary Fund's China unit.

During his first term, Trump launched ambitious trade talks with Beijing aimed at securing major changes in the country's state capitalist system. The president ultimately settled for what he called a "phase one" deal in 2020 that committed China to buy \$200 billion worth of American products over two years.

But Chinese purchases missed the target by almost 60 percent, according to the Congressional Research Service.

This weekend's talks will be the first face-to-face meeting between U.S. and Chinese diplomats since early April, when the president unveiled his historic taxes on goods from China.

At the White House, one official speaking on condition of anonymity to describe the negotiations said the goal is "de-escalation."

"We're talking to China now. That's great," said a second White House official. "This is the good-faith effort we were hoping China would participate in."

Wall Street so far is keeping its enthusiasm in check. On Wednesday, both the S&P 500 and Dow Jones Industrial Average both rose less than 1 percent.

"It is clearly in the economic, financial and political interests of both Washington and Beijing to temper their rhetoric and trade warfare against each other," said Prasad. "But equally there are limits to how far each side is likely to be willing to bend to mollify the other."
