

China demands withdrawal of all unilateral tariffs if US wants trade talks

Nick Beams
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Over the past several days, US President Trump has been seeking to calm market turbulence set off by the global tariff war and threats to remove Federal Reserve Chair Jerome Powell after receiving what has been described as “dire warnings” from officials about the effects of his actions.

On Tuesday, he walked back his previous strident calls for the sacking of Powell because of his refusal to lower interest rates, saying he had “no intention” of doing so. Trump was warned that attempts to oust Powell would have major consequences for already volatile financial markets.

On Wednesday, administration officials began indicating that some kind of deal or negotiations with Beijing may be in the offing over the imposition of the 145 percent tariff against China.

Speaking to reporters, Treasury Secretary Scott Bessent said that “there would have to be a de-escalation by both sides” after telling a JP Morgan conference the previous day the US-China trade war was “not sustainable.” He told the meeting that data from two weeks ago indicated that maritime container bookings from China to the US had fallen by 64 percent.

The tariff levels were the “equivalent of an embargo” and that a “break between the two countries does not suit anybody’s interests,” he said.

Following a report in the Wall Street Journal that the US would make a unilateral offer to reduce tensions, possibly cutting the tariff level by half, Bessent was asked whether this was a possibility. He replied, “Not at all.”

After meetings with industry and corporate executives about the effect of the tariffs, in which executives of some of the giant retail chains warned of the potential for empty shelves, Trump claimed the

administration was “actively” engaged in discussions with Beijing in a further effort to calm markets.

Chinese government officials responded yesterday, declaring this was “fake news” and, clearly recognising the turmoil within US financial markets and the Trump administration, stepped up their response.

Commerce Ministry spokesperson He Yadong said, “If the US truly wants to solve the problem it should ... completely cancel all unilateral tariff measures against China and find a way to resolve differences through equal dialogue.”

Foreign Ministry spokesperson Guo Jiakun said there had been “no negotiations or consultations between China and the United States regarding tariffs, let alone reaching an agreement.”

“This tariff war was launched by the US and the Chinese side’s position has always been clear and consistent. If we fight, we will fight to the end; if we talk, the door is wide open. Any dialogue must be based on equality, respect, and mutual benefit,” he said.

There is virtually no prospect that any agreement could be struck by a move from the US to cut the tariff rate by half as suggested in the Journal article. It would have almost no effect because many Chinese goods would still be excluded from the US market at that level.

When Trump raised the prospect of a 60 percent tariff on China during the presidential election campaign, Oxford Economics estimated this would reduce Chinese gross domestic product by about 2 percentage points compared to the situation without tariffs.

There is no doubt that China is already being hit, with an estimated 20 million workers working for companies that supply the US, and there are reports of sackings and layoffs taking place.

President Xi Jinping has been waging a media

campaign that China is prepared for a long battle with the US and that Washington cannot be trusted, recalling that a deal was struck under the first Trump administration, but the US became more aggressive.

The Biden administration maintained virtually all the previous Trump tariffs and imposed sweeping new restrictions in high-tech.

In a post on social media yesterday, Jin Canrong, an international relations professor at Remin University in Beijing, wrote, “The Trump administration is constantly shifting positions, so just listening to a few statements isn’t enough. Wait and see whether the US takes any concrete action.”

The calculus behind this approach—no doubt the position in official circles—is that China, because of the major advances it has made in industrial production methods in the period since the first Trump administration, is in a far better position than it was then.

And it has a firm eye on the financial and economic turmoil into which the US is being plunged.

So far, the Trump administration’s manoeuvres over the past three days have boosted the stock market, with all major indexes showing a rise. But all this could just as easily reverse within a day, or even hours.

And the underlying financial crisis of the US state, reflected in the fall of the dollar and the selloff of US Treasury bonds, continues to deepen under conditions where US government debt is \$36 trillion and rising.

In a comment published in the *Financial Times* yesterday, Goldman Sachs Chief Economist Jan Hatzius warned the dollar’s fall had not ended.

“I believe that the recent dollar depreciation of 5 percent on a broad trade-weighted basis has considerably further to go,” he wrote.

With foreign investors holding \$22 trillion in US assets, a decision to reduce their US exposure would “almost certainly result in significant dollar depreciation,” and even if there was just resistance to buying further US assets, this would “probably weigh on the dollar.”

On the economic front, he said Goldman Sachs had cut its growth forecasts “in all major economies on the back of the tariff shock, but nowhere more than for the US.”

A little over three months ago at his inauguration, Trump promised a new “golden age” for America.

Today, the reality has produced a crisis within the administration.

Commenting on the decision, at least for now, to remove the threat against Powell, an FT editorial said that while it was tempting to think the Treasury Secretary and the markets could keep “the president’s most extreme economic plans in check,” that would be “wishful thinking.”

It noted that postponements and retreats had provided “temporary relief for the markets,” but the actions of Trump had already “undermined the reputations of US assets and institutions,” and which “won’t be easy to reverse.”

In fact, it is mission impossible. While it has been triggered by Trump’s actions, the growing crisis of confidence in the US is not grounded either in his personality or policy decisions. It is an expression of the financial crisis of the American state itself, developing long before he appeared on the scene, and which has now erupted to the surface.



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