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AS US TARIFF DEADLINE PASSES, CHINA WATCHES AND SECTOR DUTIES SPECTER REMAINS

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The conclusion of US President Donald Trump's 90-day window for reciprocal tariff negotiations has arrived with more of a whimper than a bang. Letters have been delivered to 14 trade partners, basically reconfirming the April tariff levels or making slight adjustments, and then extending the negotiating deadline to Aug. 1. To date, the total number of trade deals concluded stands at two—with Vietnam and Britain—not including the "framework" agreement with China.

As the negotiations unfolded, the Trump administration progressed through three distinct phases in its approach. Trade partners, certainly including China, are watching closely.

Initially, the White House said countries were lining up to make deals and confidently asserted it could conclude "90 deals in 90 days."

As the impossibility of such a feat became evident, the administration moved on to its second phase: a certain number of agreements—variously described by different officials as somewhere between 10 and 20—would be concluded within the 90-day period and the remaining countries would simply be informed of the reciprocal tariff that would be assessed when the negotiation clock ticked down.

As the July 9 deadline grew closer and negotiations proved to be more difficult—and partners less compliant—than perhaps anticipated, Team Trump arrived at its third phase: rather than achieving finalized agreements with some countries, the US would instead secure "phased deals."

These are bare-bones "in principle" agreements that establish a framework for what a subsequent agreement could look like. An additional twist was added to this third phase: for those countries deemed to not be negotiating in good faith, the final tariff level could exceed the reciprocal tariff level (in some cases, upwards of 50% announced in April.

Officials in Beijing and the capitals of other key trade partners have observed these contortions and are likely to be mulling over several increasingly obvious questions.

First, will these negotiations resolve anything or are they just part of a reality show Trump is broadcasting for American viewers? Although Trump is prone to throw around nebulous phrases trumpeting trade "deals" that have been "agreed," the reality is quite different.

From what we have seen, these framework agreements simply point in the direction of desired landing areas, and hold tariffs partially in abeyance while the pilots try to get the planes on the ground in one piece. Most of the details and many of the toughest issues remain to be negotiated.

This approach is politically propitious for Trump because it allows him to present himself to the American public as a master negotiator, steadily racking up "wins" in trade, while maintaining his ability to move the goalposts and ratchet up tariffs or other forms of pressure on trade partners when it suits his purposes.

Most countries have entered these negotiations with the intention of resolving points of friction in the most satisfactory—or least unsatisfactory—manner possible. As things have played out, many will be wondering if the Trump administration is playing a very different game.

Second, is constraining China the real objective in negotiations between the US and third countries? It has become evident that the US views these negotiations not only as an opportunity to resolve actual or perceived bilateral trade grievances with key partners, but also as an opportunity to seek advantage in its economic relationship and broader geostrategic rivalry with China.

The US has not been particularly subtle in pressuring third countries to agree to provisions that would attempt to squeeze China out of global supply chains. The UK deal commits it to “security” steps seen as aimed at steel from China, while the Vietnam agreement plainly targets transshipment of products from China through an ambiguous 40% tariff.

These considerations will inevitably bleed over into US-China discussions and raise questions in the minds of Chinese officials about the extent to which a cooperative trade relationship with the US is possible.

Third, are the reciprocal tariffs a misdirection? As the US moves to conclude bare-bones agreements that provide some relief from reciprocal tariffs, a potentially more ominous tariff cloud lurks on the horizon: sector-specific tariffs.

The Trump administration has implemented or threatened sector-specific tariffs ranging from 25% to 50% on a host of critical sectors including steel, automotives, timber, pharmaceuticals and electronics. It is evident the US could very well give with one hand and take away with the other.

A reduction in the across-the-board reciprocal tariff will be of dubious benefit if a country’s primary export sectors are then slapped with onerous tariffs. China, for instance, is a major exporter of key pharmaceutical ingredients to the US. Japan and the European Union are leading automotive exporters (while China dominates in electric vehicle batteries and components), and Malaysia and other Southeast Asian countries rely on electronics exports to the US.

For these and other countries in similar positions, the specter of sector-specific tariffs could prove at least as damaging as reciprocal tariffs. Concessions made to the US to gain reciprocal tariff relief might have been for naught.

Most countries have felt there was no choice but to engage with the Trump administration on these rather slanted terms. Trump has maintained he holds “all the cards” in trade negotiations and that countries need to come to the table and accede to his demands or face the consequences.

Moving forward, the question is whether there is a tipping point at which countries, having observed America’s increasingly labored contortions, finally decide to leave Trump sitting by himself at the table with his cards.

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