Exclusive Interview with DW (Deutsche Welle), May 13th 2025:

Chinas Resist the First Round of Tariffs — Will It Sign a New "Purchase Agreement"?

DW: After the talks, the U.S. and China agreed to significantly lower mutual tariffs. What does this mean for both countries?

Löchel: It means that bilateral trade can resume. With early tariff rates, any trade had essentially come to a halt. Now, from the U.S. perspective, trade with China can start flowing again. However, it's important to note that this comes with a 90-day period during which negotiations will continue.

I expect the U.S. will ask China to sign a "purchase agreement" that would commit China to importing more American goods, thus reducing the U.S. trade deficit with China. The next step is for China, for example, whether it will demand that the U.S. lift export restrictions on certain technological products. In short, the talk is not a final result, but overall it is certainly a positive development.

DW: According to some comments, Trump has backed down this time. Do you think China has successfully withstood the tariff storm?

Löchel: I think China did indeed withstand the pressure this time. Compared to other countries, tariff measures against China were much tougher — both in terms of the high rates and the tone of communication. Take the EU as an example: Trump effectively postponed tariffs himself, but not in China's case, not until China responded with tough countermeasures. From that perspective, you could say China achieved a small success. On the other hand, Trump will likely use the coming period to pressure China into making further concessions — not about tariffs themselves, but rather about issues like: is China willing to import more goods from the U.S.

DW: You mentioned the EU earlier. The EU and the U.S. are still negotiating. Can the EU learn something from this?

Löchel: From a broader geopolitical perspective, the EU is in a disadvantaged position — not just in trade. It's clear that the U.S. is shifting all its attention to Asia, due to China's rise and the enormous economic scale of Asia in total. The only reason Trump still seems interested in Europe is the belief that he can broker peace in Ukraine. In fact, just today, Trump again criticized the EU, claiming that its approach is even less friendly than China's. EU countries must find their own solution through the trade war, and more importantly, define their geopolitical stance for the future.

DW: Some Europeans worry that U.S. tariffs will cause a flood of Chinese goods into European market. Can we say now the alarm has temporarily been silenced?

Löchel: I take a somewhat different view. Using alarmist language like "flood" sounds exaggerated. One could also argue that more Chinese imports into European market would drive prices down further — and that's certainly not the worst-case scenario. If the U.S. and China were to engage in a full-on trade war, European manufacturers would naturally gain more export opportunities — whether to China or the U.S. — since the two would no longer trade with each other in that case. But it's also clear that if U.S.-China trade resumes, trade between China and the EU won't grow as fast.

DW: After the reduction, U.S. 's tariff against China are still much higher than they were a few months ago.

Löchel: Yes, they now stand at 30%, which is still far above earlier levels. This is a concession from China, meant to give the U.S. some room to maneuver. For Trump, it's a small victory he can present to his domestic audience. I don't think this causes significant harm to China. In the next 90 days, negotiations will continue. China could say, "We're willing to buy more from the U.S., but in return, reduce tariffs to 10%." That's a bargaining chip. For China, it was a wise move not to let the negotiations collapse due to unequal tariff rates.

DW: One major issue for China's economy is overcapacity and weak domestic consumption. As a country highly dependent on exports, isn't conflict with trade partners almost inevitable?

Löchel: That's indeed a problem. China's overheated investment activity is linked to its state-led model of economic and technological development. Over the past ten years, President Xi has prioritized this development model. Meanwhile, Chinese domestic consumption has not been increasing fast enough, leading to overcapacity. In such case, exports are a way to absorb excess production. However, I noticed that at this year's National People's Congress and other high-level meetings — including statements by Premier Li Qiang — there was a clear message from the government: it wants to boost domestic consumption by raising household income.

DW: Overcapacity and weak internal demand aren't new issues for China, and the government has tried to address them, but without lasting success. Do you think now is the moment for Beijing to seriously resolve these problems?

Löchel: It may sound paradoxical, but perhaps Trump's trade war and aggressive policies will push China to finally realize that a growth model based on investment and exports has reached its end. Perhaps this time the leadership will feel enough pressure to take strong action.

The real challenge is figuring out how to give Chinese households more disposable income for consumption — how to improve the social welfare system so people don't feel the need to save excessively for emergencies. Solving these problems will require major investment and redistribution of wealth — including from state-owned enterprises to private households. There will be resistance. But I believe it's necessary if the economy is to continue growing.