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China | Winning big

A great trade victory over America is being celebrated in China

But its negotiating triumph comes with two stings in the tail



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day trade truce between America and China is a win for his administration and its tactics of *kamikaze* trade escalation. The view inside China is the exact opposite: America, faced with tanking markets and upset consumers, blinked. The truce is seen as a national triumph that has secured concessions, confirmed America's low pain tolerance, raised GDP forecasts and made China a hero in the global south.

The often-acid state media's magnanimity is revealing: "the road ahead still requires both sides to explore and shape it together with wisdom and courage," intoned Xinhua. Others were more blunt. "A great victory," crowed Hu Xijin, a nationalist commentator.

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Yet there are worries for China. One is that the deal is so good that Mr Trump might change his mind. The other is that the Communist Party might now backpedal on reforms. Many in China had feared a protracted near-embargo after Mr Trump's "liberation day" announcement on April 2nd. Six weeks later he has backed down.

America will slash the "reciprocal" tariffs on Chinese goods from 125% to 10%, for at least 90 days. An earlier additional levy of 20% designed to punish China for its role in the fentanyl trade will remain in place, but its specificity suggests it could be negotiable. America halved a separate 120% tariff on e-commerce packages valued below \$800 which enter America via a separate "de-minimis" customs regime.

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to 10%, implying parity with America's tariff rate if the German levy is cut.

China lifted its ban on Boeing aircraft, which it needs. Constraints on rare-earth exports may be eased. The result is a partial restoration of trade and proof America cannot stomach a fight. The “imperialists are all just paper tigers,” wrote one netizen under a statement about the deal posted on the account of the American embassy on WeChat, a messaging platform. “Americans just can’t handle it when their supermarkets run out of goods,” wrote another.

Forecasts for China’s GDP growth have bounced back. Goldman Sachs, a bank, raised its estimate for this year from 4% to 4.6%. It expects total exports to remain stable rather than fall by 5% as it previously had. JP Morgan, another bank, also raised its estimate to 4.8%. China will get diplomatic kudos in the global south, too. “Someone has to stand up and say that hegemony is unreasonable,” Zheng Yongnian of the Chinese University of Hong Kong in Shenzhen told one outlet. “China’s approach has won the support of so many countries.” Xi Jinping, China’s president, rubbed it in at a meeting with Latin American leaders on May 13th, arguing China must “champion true multilateralism and uphold international fairness and justice.”

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The sight of America making threats it is not prepared to carry out may have broader implications, with China’s leaders concluding that America’s appetite to sanction China, let alone attack it militarily over Taiwan, is lower than previously thought. Shortly after the truce Mr Trump said “it’s going to be great