# Trump announces pause in tariff war, igniting market optimism



Investors experienced a surge of optimism on the evening of the announcement when U.S. President Donald Trump revealed a strategic pause in his ongoing tariff war, providing a temporary respite from escalating trade tensions. This announcement came with an immediate effect, allowing for a 90-day period during which reciprocal tariffs on a range of countries will be put on hold, except for China, amidst ongoing trade discussions.

The decision to delay tariffs, which initially threatened to significantly alter the landscape of global trade, marked a significant policy reversal by the President. Mr Trump stated that all nations, apart from China, would face a baseline tariff of 10 per cent for three months, aimed at facilitating negotiations. However, the tariffs on Chinese goods, which had already seen steep increases, are to rise sharply to 125 per cent in response to China's own retaliatory measures against U.S. trade policies.

The announcement was made following a tumultuous week that had seen notable fluctuations in financial markets, with the Dow Jones index experiencing a considerable spike of 6 per cent shortly after the news broke. Market analysts indicated that Trump's previous tariffs had instigated a sell-off of U.S. government bonds, contributing to rising borrowing costs for his administration. As a result of this market turmoil, the President acknowledged in a press conference, "People were getting a little bit yippy, a little bit out of line."

The negotiations come amid increasing global anxiety over the potential economic ramifications of Trump's tariff policies. The U.K., for instance, has been experiencing its highest borrowing costs since 1998, with experts predicting consequent tax increases and spending cuts. Speaking to reporters, Treasury Secretary Scott Bessent defended the tariff pause, claiming that the initial strategy was to leverage tariffs as a negotiation tactic against countries other than China.

In the wake of the announcement, both the U.K. government and global financial markets responded to the evolving situation. The Bank of England specifically cautioned that the fallout from Trump's trade war could jeopardise financial stability within the U.K. Sir Keir Starmer, leader of the opposition, conceded that his party’s proposed trade deal with the U.S. would not mitigate the negative impacts of the crisis.

While reactions varied, the administration framed the past week’s volatility as part of a broader strategic plan. White House Press Secretary Karoline Leavitt asserted that critics had misjudged the ongoing negotiations, insisting that there was "a lot of winning out there" and that the stock market indicators were favourable.

The economic tensions were further inflamed by retaliatory tariffs from China, which imposed an additional 50 per cent levy on U.S. imports, escalating its total tariff rate to 84 per cent. Conversely, Trump's move to inflate tariffs on Chinese goods to 125 per cent was described as an assertion of American strength, amid claims of Chinese 'lack of respect' for the U.S. trade position. Bessent remarked that this back-and-forth escalation was a miscalculation on China's part, as the trade deficit is significantly tilted in their favour.

Despite the temporary alleviation of certain tariffs, U.S. companies remain braced for potential future tariffs on pharmaceuticals, which experts warn could negatively impact U.S. economic performance. Former Cabinet minister Kit Malthouse highlighted the implications of taxing pharmaceuticals, asserting that such measures could counteract the U.S.'s capability in advancing life sciences.

In summary, while Trump's tariff pause has been met with relief among investors and a temporary boost in market confidence, the broader trade war continues to present risks and uncertainties for both the U.S. and global economies. The next steps in these negotiations may yield further developments that could shape the economic landscape in the months ahead.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.foxbusiness.com/politics/trumps-tariff-pause-latest-example-pragmatism-political-stage> - This article supports the claim that President Trump announced a strategic pause in his tariff policies, except for China, and that this decision was part of a broader negotiation strategy. It also mentions the immediate effect on financial markets, with Trump's pragmatic approach being highlighted.
* <https://www.justice.gov/> - Although not directly related to the tariff issue, the Department of Justice website is a source for U.S. policy and legal matters, providing context for the broader political and economic environment in which tariff decisions are made. However, it does not specifically corroborate the claims about tariffs.
* <https://www.mass.gov/> - This Massachusetts government website provides general information about legal and administrative procedures but does not specifically address the tariff policies or the economic situation described. It serves as a broader resource for legal and policy analysis rather than direct corroboration.
* <https://www.courts.michigan.gov/> - Similar to other government websites, this Michigan Courts portal offers resources on legal proceedings and rights but does not provide direct support for the claims about tariffs or economic conditions.
* <https://www.acquisition.gov/far/part-9> - This website outlines policies for contractor qualifications and does not directly relate to the topic of tariffs or trade negotiations. However, it provides a framework for understanding governmental contracting and procurement, which could be tangentially relevant to trade discussions.