

# China This Week | China comments on India-Pakistan ceasefire, clinches tariff deal with US

Every Friday, we recap highlights of the week's news from China. This week, China lent support to Pakistan following the ceasefire, released a list of Chinese names for places in Arunachal Pradesh and held a summit with Caribbean and Latin American nations. Here are 4 key developments.

It's almost a week since India and Pakistan declared a ceasefire on May 10. As detailed in our last tracker, China has been commenting on Operation Sindoor, saying both countries were its neighbours and that it was "willing to continue playing a constructive role in this regard".

Chinese Foreign Minister Wang Yi spoke to his Pakistani counterpart Ishaq Dar and with India's National Security Adviser Ajit Doval. Pakistan's Prime Minister Shehbaz Sharif lauded China's support for Pakistan. Notably, Taiwan's Ministry of Foreign Affairs commented on the events.

On Wednesday, India rejected a list of Chinese names for places in Arunachal Pradesh, for attempting to alter the "undeniable" reality of the state being an integral part of India. China, which describes Arunachal Pradesh as "South Tibet", has engaged in this practice periodically since 2017. We wrote about it in an explainer [here](#).

Over the last weekend, the United States and China took a major step forward in their tariff war. Substantial tariff reductions were announced, which brought relief to markets and businesses in both countries.

Here's a look at four key developments.

Wang told Doval that China condemned "the terrorist attacks in Pahalgam area and opposes all forms of terrorism". To Dar, however, he said Pakistan was "standing at the forefront of the international fight against terrorism" and had "made important contributions to counterterrorism efforts".

A few hours after the ceasefire went into force on May 10, Sharif in a speech called China a "very dear, very trustworthy, and very dear friend". China, he said, has "always been there in the times when Pakistan needed them and they have never even acknowledged the loss or profit"; "always been there for Pakistan's support and integrity".

On May 12, India acknowledged China's role for the first time since Operation Sindoor began. During a press briefing, Air Marshal A K Bharti, Director General Air Operations, presented visual evidence of a piece of the Chinese-made PL-15 long-range missile that India's air defences had shot down.

Taiwan's Ministry of Foreign Affairs also commented on the tensions on May 10. In a statement, it expressed "firm support for all legitimate and necessary actions taken by the Government of India to safeguard national security and fight terrorist forces that cross borders to attack innocent civilians."

UPSHOT: The Chinese government's official comments, as well as stories on its state-backed media outlets in recent days, have lent support to Pakistan's narrative. There is little mention of

Pakistan's known links to terror groups or China's part in blocking UN designations of terrorists, and Pakistan has expressed its gratitude in response.

Taiwan's response figures among the strongest statements globally in favour of India. Regarded as a "renegade province" by China, the island has sought to assert its independence from the mainland in the last decade or so.

India and Taiwan do not enjoy a full diplomatic relationship, as China deems recognition of its claims over Taiwan as a precondition for diplomatic ties. However, India and Taiwan have limited engagement, including on trade.

## 2. Tariff deal with the US

Ahead of talks in Switzerland between the trade representatives of China and the United States over the weekend, expectations were measured. It was assumed that the triple-digit tariffs both countries imposed on each other would fall slightly, but the final result went much further.

Currently, the US has a 30% tariff on Chinese goods, down from 145%. Of this, 10% is the flat rate applicable to all countries. The remaining 20% is for China's alleged role in supplying the deadly opioid fentanyl to the US.

China's own 10% retaliatory tariff on the US over fentanyl continues, but it is far less than the earlier 125%.

An official mechanism was announced on Monday to ensure dialogue between the representatives of the two countries, led by US Trade Representative Jamieson Greer and Treasury Secretary Scott Bessent, and Chinese Vice Premier He Lifeng.

The Chinese representative repeated China's oft-stated view that "There are no winners in a trade war", and that "China does not want a trade war, but is not afraid of one." Bessent struck a conciliatory tone, saying the aim was to secure a long-term trade deal, and that "neither side wants to decouple".

UPSHOT: Both sides needed a reduction in tariffs owing to their huge economic dependence on one another. The total US-China goods trade stood at \$582 billion in 2024.

One obstacle, for the time being, is the fentanyl issue. It is among the biggest causes of deaths due to drug overdoses in the US. China has often blamed the US's domestic problems and inefficiencies for its supply in the country. This, even as reports have pointed to the drug's precursor chemicals being produced in China and sent to Mexico for production.

In the past, the US and China have collaborated on the issue, despite lows in other aspects of their relationship.

## 3. Central bank attempts to boost liquidity

China's central bank, the People's Bank of China, cut the reserve requirement ratio (RRR) by 0.5 percentage points for financial institutions on Thursday. This effectively reduces the amount they are expected to hold, and could free up about 1 trillion yuan (\$138.77 billion) in long-term liquidity into the market.

The Communist Party mouthpiece Global Times said that earlier this month, the bank announced plans for monetary policies to enhance macroeconomic regulation, including lowering the lending policy rate.

UPSHOT: Beginning in September 2024, the Chinese government has introduced stimulus packages and policies to put more money in the hands of the people. These include increasing pay for government workers in January and a 10 trillion yuan (\$1.36 trillion) debt package for local

governments in November 2024. Some analysts said the latter was inadequate, and that more direct measures are needed to spur consumer spending.

The concerns around low domestic consumption in China have been raised for years now, even before the Covid-19 pandemic. With the added threat of Trump's tariffs, turning inwards was seen as an alternative.

#### 4. New BRI deal, outreach to Latin America

On Wednesday, China signed a joint cooperation plan with Colombia for the Belt and Road Initiative (BRI), its flagship infrastructure funding scheme.

A day prior, Xi also held talks with Brazilian President Luiz Inacio Lula da Silva in Beijing. The leaders were present in Beijing for the three-yearly China-CELAC (Community of Latin American and Caribbean States) Forum Ministerial Meeting. The regional forum includes 32 countries.

China announced it would give \$9.18 billion in credit to CELAC members. In a speech, Chinese President Xi Jinping underlined that China and CELAC nations were "important members of the Global South."

He also said China would import more from Latin America and encourage its firms to boost investment. Already, China has looked to Brazil for agricultural imports, in part to reduce its dependence on the US for products such as soybeans.

UPSHOT: Despite criticism over its high costs and sustainability in many parts of the world, the BRI continues to sign on new partners, given China's standing as a source of funds.

China's outreach in what is traditionally seen as the US's regional backyard also matters from a strategic perspective. Notably, Panama announced its decision to exit the BRI in February, which followed several statements from Trump and other US officials about Chinese presence in the country.

Another aspect is that Caribbean nations, including Haiti and Saint Lucia, are among the handful of countries worldwide that still accord diplomatic recognition to Taiwan. Both their representatives were in attendance at the summit.

China has utilised its economic influence and the promise of trade over the decades to get countries to give up official ties with Taiwan.

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