

Weekly China Insight

Beijing, 14 March 2025

Special Edition: US-China Trade War 2.0

China retaliates against US tariffs with a suite of measures in a single day

On 4 March, the first day of China's annual legislative and advisory "Two Sessions," Beijing implemented a series of countermeasures in response to the Trump administration's recent decision to impose an additional 10% tariffs on all Chinese imports. The countermeasures include:

- **Increased tariffs on US agricultural products:** Starting on 10 March, China will impose additional tariffs on US agricultural imports, including a 15% tariff on chicken, wheat, corn, and cotton, and a 10% tariff on sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables, and dairy products.
- **Export controls on US entities:** The Chinese commerce ministry added 15 US entities, including Leidos Holdings Inc., to its export control list, prohibiting the export of dual-use items to these companies. Exporters seeking exceptions could apply for special licenses from the Chinese commerce ministry.
- **Import suspensions:** The Chinese customs authority suspended imports of US raw timber, citing detection of quarantine pests. The customs authority also revoked the import qualifications of three US soybean exporters, citing consumer health concerns after contaminants were found.
- **Unreliable Entity List expansion:** Ten US companies, including TCOM L.P. and Teledyne Brown Engineering, were added to China's Unreliable Entity List, managed by the commerce ministry. Companies on the Unreliable Entity List are barred from engaging in import and export activities related to China and are not allowed to make new investments in China.
- **Anti-circumvention investigation:** China initiated its first-ever anti-circumvention investigation into certain US optical fiber products to determine if measures are needed to prevent evasion of existing trade remedies. The probe follows allegations from that US fiber optic exporters have been evading China's anti-dumping duties by misclassifying products under different tariff codes.
- **Complaint filing at the WTO:** The Chinese commerce ministry announced that it had filed a lawsuit under the World Trade Organization's dispute resolution mechanism against the latest US tariff increases, arguing that these measures violate international trade rules.
- **Write paper on fentanyl:** The State Council's information office released a white paper on China's regulation of fentanyl, outlining the Beijing's efforts in regulating fentanyl-related substances to counter Trump administration's narrative that China has been uncooperative in fentanyl control.

China's multifaceted response underscores its determination to counter US tariff actions through legal channels, targeted economic measures, and increasingly more strategic moves. For example, China's first anti-circumvention investigation signals a more sophisticated

approach to the ongoing US-China trade war, targeting potential loopholes in existing anti-dumping measures. This move not only aims to protect domestic fiber optic producers but also sets a precedent for future trade enforcement against perceived unfair practices. By leveraging both tariff and non-tariff measures, Beijing aims to protect its economic interests while signaling its readiness for dialogue under equitable conditions.

US House passes bill to restrict domestic use of Chinese-made batteries

On 10 March, the US House of Representatives approved the Decoupling from Foreign Adversarial Battery Dependence Act, aiming to prohibit the US Department of Homeland Security from procuring batteries from six Chinese-linked companies. The targeted Chinese companies include Contemporary Amperex Technology Co. Limited (CATL), BYD Company, Envision Energy, EVE Energy, Gotion High-tech, and Hithium Energy Storage Technology. The proposed restrictions are scheduled to take effect on 1 October 2027, if the bill also passes through the US Senate and gets signed by President Trump into law. Proponents of the bill argue that China produces approximately 80% of the world's batteries and about 70% of lithium-ion batteries, creating concerns over supply chain dominance and potential national security risks.

The passage of this bill by the US House reflects ongoing US efforts to reduce dependence on Chinese battery manufacturers, due to national security and supply chain reasons. However, these restrictive measures will also pose challenges for US industries in securing cost-effective and reliable battery supplies.

Chinese regulators summon Walmart over alleged supplier price cuts

On 11 March, the Chinese commerce ministry and other authorities summoned Walmart executives in China to address allegations that Walmart demanded significant price reductions from certain Chinese suppliers. Following recent US tariff hikes on Chinese imports, Walmart reportedly requested that some Chinese suppliers lower their prices by up to 20% to offset the additional costs. Chinese authorities expressed concerns over Walmart's unilateral demands for price cuts, warning such moves could risk supply chain disruptions, violate existing commercial contracts, and harm Chinese businesses.

Walmart's move to mitigate tariff impacts by pressuring Chinese suppliers for price cuts highlights the challenges multinational corporations face amid the escalating US-China trade war. The Chinese government's intervention underscores its commitment in protecting domestic companies from bearing the costs of the trade war. If Walmart or other US companies continue to pressure Chinese suppliers for price cuts, Chinese regulators will likely take further punitive actions against them.

Chinese foreign minister emphasizes peaceful coexistence with the US at Two Sessions

On 7 March, during a press conference at the annual Two Sessions, Chinese foreign ministry Wang Yi addressed the state of US-China relations, underscoring that "mutual respect is a

basic principle in international relations and an important prerequisite" for the bilateral relationship. Wang emphasized that no country should expect to both suppress China and maintain favorable relations, stating that such "two-faced behavior is detrimental to bilateral relations and undermines mutual trust." He reiterated that "as the world's largest developing and developed countries, China and the US must coexist peacefully on this planet."

Wang's remarks made at the Two Sessions are more meant for the domestic audience than for the foreign ones. However, his official narrative of China's stance on the US-China relations highlights Beijing's firm stance on requiring mutual respect as the foundation for stable bilateral relations, signaling that any US attempts for suppression or containment will be met with strong resistance.