

Weekly China Insight

Beijing, 11 April 2025

Special Trade War Edition

Li Qiang and von der Leyen seek stability amid global tariff tensions

On 8 April, Chinese Premier Li Qiang and European Commission President Ursula von der Leyen held a phone call to reaffirm commitment to a stable EU-China relationship. The conversation came amid escalating global trade tensions triggered by sweeping US tariffs on both Chinese and European goods. Li criticized US actions as "economic bullying" and called for joint efforts to uphold free trade, while von der Leyen emphasized the need to avoid further escalation. However, fearing that products originally destined for the US could be diverted to the EU, von der Leyen proposed setting up a joint mechanism to monitor trade diversion caused by US tariffs. Both sides agreed to expedite preparations for upcoming high-level dialogues across strategic, economic, green, and digital domains, and von der Leyen urged structural reforms to rebalance trade and enhance European market access in China. The call also touched on climate cooperation and the Ukraine crisis, with von der Leyen reiterating support for a peace process on Kyiv's terms.

The call signals a mutual interest in positioning the EU-China relationship as a stabilizing force amid rising US protectionism. Nevertheless, lingering structural imbalances and divergent geopolitical priorities, exemplified by China's strategic alignment with Russia, will continue to test the long-term durability of the China-EU partnership.

On 8 April, the Ministry of Foreign Affairs announced Spanish Prime Minister Pedro Sánchez's visit to China for meetings with President Xi Jinping and Premier Li Qiang on 10 and 11 April. As of the time of this weekly update, official media have not released details of the meetings.

China hit back at US "Liberation Day" tariffs with sweeping countermeasures

On 4 April, following US President Donald Trump's imposition of a 34% "Liberation Day" tariff on all Chinese imports, bringing total US tariffs on Chinese goods to 54%, Beijing launched a forceful and multi-pronged retaliation.

Effective 10 April, China will impose its own 34% blanket tariff on all US imports. China also formally challenged the US at the World Trade Organization (WTO), denouncing the move as a violation of global trade norms and a "typical act of unilateral economic coercion."

China's response also includes a series of targeted non-tariff measures, including:

- Export controls on seven rare earth elements (samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium), leveraging China's dominance in critical mineral processing to squeeze US tech and defense sectors.

- Blacklisting of 27 US firms, including 16 placed on the dual-use Export Control List and 11 added to the Unreliable Entities List, effectively barring them from investment and operations in the Chinese market.
- Customs bans citing contamination risks on a number of US agricultural products, including sorghum, poultry, and bonemeal.
- Regulatory investigations into major US firms, including an anti-dumping probe into US-made medical CT tubes and an antitrust investigation into US chemicals company DuPont.

While framed as technical or legal decisions, the mixture of both tariff and non-tariff actions follows China's established playbook of retaliatory measures during previous rounds of trade disputes with the second Trump administration. Notably, Beijing left some room for further escalation, including potential tightening of rare earths restrictions or a significant expansion of agricultural bans. Beijing's calculated but assertive retaliation underscores China's willingness to weaponize economic levers, from rare earths to regulatory scrutiny, in response to US trade provocations, while keeping dialogue channels open for eventual de-escalation.

China urges US companies to help defuse trade tensions at high-level roundtable

On 6 April, the Chinese commerce ministry hosted a roundtable with over 20 major US companies, including Tesla, GE Healthcare, and Medtronic, to reassure foreign investors amid escalating US-China trade tensions. Vice ministry of commerce Ling Ji emphasized Beijing's unwavering commitment to reform and opening-up, pledging continued protection of foreign business interests and stating that "China will always be fertile ground for foreign investment." Ling condemned US sweeping "Liberation Day" tariffs as violations of multilateral trade norms and called on US companies to "trace the root cause" of current trade friction and advocate for pragmatic solutions in Washington.

By engaging US firms as both stakeholders and potential intermediaries in the ongoing US-China trade war, Beijing hopes American corporate influence in Washington can act as a pressure point to reshape US trade policy.

US-China trade war escalates further as both sides impose 50% tariffs

On 9 April, the US-China trade conflict escalated sharply after US President Donald Trump followed through on his threat to impose an additional 50% tariff on all Chinese imports, raising the effective tariff burden on all Chinese goods to 104%. Beijing responded within 24 hours with an identical 50% tariff on all US imports, bringing its total duties to 84%, and launched a broader suite of retaliatory measures across commercial, regulatory, and societal fronts, including:

- Export controls on 12 additional US companies, banning the sale of dual-use goods to US companies such as American Photonics and Teledyne Brown Engineering.
- Designation of 6 more US firms, including Shield AI and Sierra Nevada Corporation, on China's Unreliable Entity List, barring them from trade and investment activities in China.

- An official travel warning for Chinese tourists to the US, citing rising safety risks amid deteriorating bilateral ties.
- A study abroad alert for students planning to attend US institutions, following hostile legislative moves in Ohio.
- An announced plan to reduce US movie imports, with China's State Film Administration citing declining public goodwill.

These countermeasures from China come amid increasingly combative rhetoric from both official and societal channels. A Chinese commerce ministry spokesperson condemned Washington's escalation as "a mistake on top of a mistake" and stated that China would "fight to the end" if the US continues to raise tariffs. Beijing also filed a new complaint at the WTO, framing the latest US tariff hike as blatant violation of multilateral trade rules.

By matching tariff hikes and widening retaliatory actions beyond trade, China signals that it is prepared for long-term confrontation. Yet, this calibrated response also reflects a strategic calculation to inflict harm on influential US stakeholders in business, academia, and entertainment, with the hope that these constituencies will pressure Washington to start negotiating with Beijing.

US tariffs on Chinese goods hit 145% as Beijing prepares fierce, long-haul retaliation

On 10 April, the White House confirmed that total tariffs on Chinese imports have reached 145%, with the announced 125% "reciprocal" tariffs on top of the previously-imposed 20% fentanyl-linked levy. The news immediately prompted a broad market selloff in the US, with the Dow falling over 4%, the S&P 500 dropping 5%, and the Nasdaq sliding nearly 6%. While President Trump said he is still open to talks, he reiterated that the tariffs are designed to punish China for retaliating and to rebalance bilateral trade.

The White House also confirmed that tariffs on lower-value Chinese imports – items valued at USD 800 or less – have been raised from 90% to 120%. Additionally, the "per postal item" fee for these goods will increase to USD 100 starting on 2 May, and rise further to USD 200 on 1 June.

Beijing responded with defiance. A Chinese embassy spokesperson in Washington reiterated that China "will fight to the end", while any dialogue must be based on "mutual respect and equality."

With Beijing's earlier retaliatory tariffs already raised to 84%, China is now widely expected to match Trump's new tariff rate and deploy additional regulatory, legal, and administrative measures to apply pressure across US strategic sectors. With US tariffs now at 145%, a level that essentially blocks most Chinese imports, Beijing views the bilateral economic relationship as already broken, freeing it to retaliate without fear of additional loss. US and China are now entering into a long and volatile phase of trade confrontation with no quick resolution in sight.

He Lifeng's meeting with John Thornton signals potential backchannel diplomacy amid escalating US-China trade war

On 8 April, Chinese state media Xinhua issued a terse readout of a meeting between He Lifeng, Politburo member and director of China's Central Financial Commission, and John L. Thornton, Honorary Chairman of the Brookings Institution, in Beijing. The official readout described a general exchange on macroeconomic issues and US-China trade relations. However, behind the Party-speak phrasing, the meeting is a strong signal that informal, backchannel dialogue between Washington and Beijing may already be in motion. At the very least, the meeting is a quiet attempt by Beijing to arrest the current spiral of tariff escalation between the world's two largest economies.

Thornton is no ordinary interlocutor. A former President and Co-COO of Goldman Sachs, Thornton is one of the most influential American intermediaries in US-China relations over the past two decades. Known in Beijing as an "old friend of China," Thornton has cultivated deep personal ties with Chinese political elites, including past and present leaders. He has long played a discreet but critical role in track two diplomacy, especially during previous periods of US-China diplomatic breakdowns. During Trump's first term as US president, Thornton was instrumental in serving as a private conduit for dialogue, delivering sensitive messages between the two capitals, maintaining informal communications between senior US and Chinese officials when formal dialogue was strained. His long-standing relationships with Chinese leaders and reputation as a trusted channel have made him a go-to figure during crises in bilateral ties.

Although Thornton holds no formal position in the current US administration, he is reported to maintain close advisory relationships with senior figures now influential in Trump's second term. His unique positioning, trusted by Beijing and respected in high-level US policy circles, makes him an ideal figure to test potential off-ramps to the ongoing US-China trade war.

Thornton's presence in Beijing is likely a deliberate diplomatic signal that both sides recognize the need to arrest the tit-for-tat spiral that is shaking global markets and undermining investor confidence. His quiet diplomacy indicates a mutual desire by both Beijing and Washington to find a face-saving off-ramp from the current escalation without either side appearing to back down. With public postures hardening on both sides, track two diplomatic channels like this may offer a discreet route for compromise.

It's also noteworthy that the official Xinhua readout referred to He Lifeng by his Party titles – "Politburo member and director of the Central Financial Commission" – rather than his government role as Vice Premier of the State Council. This deliberate emphasis on Party affiliations suggests that Beijing viewed the meeting with Thornton as a Party-led, informal, and exploratory engagement with a potential US intermediary, rather than a formal, government-to-government, policy-driven dialogue. By framing the interaction this way, Beijing preserves strategic flexibility, allowing it to deny formal negotiations while still enabling substantive discussion.