

# Weekly China Insight

## Beijing, 18 April 2025

### China signals ceiling on tariffs but warns of broader retaliation if US escalates further

On 15 April, China announced an increase in tariffs on all US goods from 84% to 125%, characterizing the hike as a proportional response to the latest US escalation to raise total tariffs on all Chinese imports to 145%. In a statement, the Chinese commerce ministry emphasized that tariffs at this level are already "sufficient to prohibit all trade" and clarified that any further US tariff increases would not be met with additional tariff increases from Beijing's side. However, the statement stressed China would use "other necessary tools" to defend its interests should the US choose to hurt Chinese interests further.

*While the tariff ceiling set by China signals a pause in the tit-for-tat tariff escalation with the US, Beijing retains other non-tariff tools, such as export controls on critical minerals and regulatory pressure on US firms in China, to respond to potential US escalation in the trade, financial, and tech space. A Xi-Trump summit remains essential to ending the trade war, but conditions for a direct dialogue continue to deteriorate given the unpredictability and volatility of US policy.*

### Trump Reaffirms Intention to Reach a Deal with China

On 17 April, US President Trump told reporters at the White House that the US and China could reach a trade agreement "within three to four weeks," and indicated he was open to lowering tariffs on Chinese goods. He also announced a delay in the TikTok deal, saying it would be contingent on resolving broader trade issues with China. When pressed on whether Beijing had initiated high-level contact, Trump gave conflicting answers, first refusing to confirm, then suggesting China had "reached out a number of times," while insisting a deal would happen regardless.

*This was the first time Trump publicly stated that US and Chinese teams were discussing tariffs, although Trump administration officials offered contradictory accounts throughout the week. While Commerce Secretary Lutnick and trade adviser Peter Navarro hinted at "soft contacts" or invitations, other officials emphasized that talks were in early stages or not happening at all. Meanwhile, Chinese officials pushed back on Trump's claim that "the ball is in China's court," asserting that dialogue must be based on mutual respect and that the US, as the initiator of the tariff war, must take the first step.*

### Spain deepens strategic ties with China amid global trade tensions

On 11 April, Spanish Prime Minister Pedro Sánchez met with Chinese President Xi Jinping and Premier Li Qiang in Beijing during an official visit that marked a notable upgrade in China-Spain relations. The two sides signed a new "Action Plan for the Comprehensive Strategic Partnership (2025–2028)", pledging deeper cooperation in trade, investment, green

development, digital economy, and cultural exchange. Xi praised Spain's "independent foreign policy" and emphasized the need for "openness and mutual benefit" in global economic relations. Sánchez reaffirmed Spain's support for multilateralism and called for stronger EU-China cooperation.

*The visit comes as China actively courts European countries to hedge against escalating trade hostilities with the US under the second Trump administration. China views strengthened ties with Spain as a strategic opening to influence broader EU policy amid growing tensions between the US and its trading partners.*

## **Xi Jinping embarks on a Southeast Asia tour to counter the US global tariff war**

Starting on 14 April, Chinese President Xi Jinping embarked on a 5-day Southeast Asia tour, visiting Vietnam, Malaysia, and Cambodia in a high-profile diplomatic push to strengthen China's economic and strategic ties with ASEAN countries. So far, the trip resulted in over 70 cooperation agreements, including initiatives in infrastructure, digital economy, green development, and industrial collaboration. In Vietnam, Xi reaffirmed the two countries' "shared future" and pledged support for supply chain resilience. In Malaysia, the two sides elevated bilateral ties to a "comprehensive strategic partnership" level. In Cambodia, Xi emphasized continued infrastructure financing and reaffirmed Beijing's long-term development commitments. The tour took place in the aftermath of US tariff hikes against almost 90 countries, affecting both China and several major Southeast Asian exporters.

*Xi's tour reflects Beijing's intent to anchor regional trade relationships as a buffer against US-led economic coercion, reinforcing China's vision for a multipolar trade order while tightening supply chain links closer to home. Southeast Asian countries, which benefited during the first round of the US-China trade war under the first Trump administration because manufacturers started moving factories, are now being hit with US tariffs. As a result, Southeast Asian countries are now more likely to view China as a stable long-term trading partner.*

## **Nvidia CEO's China visit underscores fragility in global tech supply chains**

On 17 April, Nvidia CEO Jensen Huang met Chinese Vice Premier He Lifeng in Beijing. Premier He welcomed Nvidia and other US firms to "deepen their presence" in China. Huang responded by reaffirming Nvidia's long-term commitment to the China market, saying he remains optimistic about China's economic prospects and hopes to support US-China economic cooperation.

*Huang's visit comes at a critical juncture. Just days earlier, Beijing confirmed its 125% retaliatory tariffs on US products include US-fabricated semiconductor chips, a direct blow to companies like Nvidia that design chips in the US but rely on Chinese buyers. Not to mention, Nvidia's chip manufacturing requires the import of critical minerals that are now subject to Chinese export controls. Meanwhile, the Trump administration has created more uncertainty by flip-flopping on whether semiconductors will be exempt from US tariffs, with semiconductor carveouts announced one week and potential universal electronics tariffs floated the next.*

*Huang's visit is a rare gesture of goodwill amid a deteriorating trade and tech relationship between Beijing and Washington, but it underscores that private diplomacy cannot substitute for government dialogue.*

### **China's Q1 GDP beats expectations but nominal growth and consumption lag**

On 16 April, China reported Q1 GDP growth of 5.4% y/y in 2025, matching the previous quarter and surpassing market expectations. The headline growth was driven by a 6.3% y/y surge in industrial output, a 9.1% y/y rise in fixed asset investment in manufacturing, and a 5.8% y/y growth in exports. However, nominal GDP grew only by 4.6% y/y, its eighth consecutive quarter trailing real growth, signaling persistent deflationary pressures. Household consumption also remained subdued, with retail goods and services rising just 4.6% y/y and 5% y/y respectively, below the overall GDP growth.

*Despite the strong headline figure, China's economy remains structurally imbalanced, with sluggish consumer demand, falling prices, and trade reliance exposing vulnerabilities that could deepen, as tensions with the US escalate.*