A Chain of Retaliation

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The China policy of the US is probably one of the very few fields where the interests of both major political parties, the Democrats and the Republicans, align. With its economic rise, China worries many in the US that it might take their top position in economics and international politics (Menzel, 2023). Yet with Trump's isolationist foreign policy, it is to be expected that he will seek to reconsolidate its economic position rather than take a multilateral stance (Klingebiel et al., 2024). As his first months in office have shown, this has resulted in a more protectionist stance towards the outside world. At the same time, China's economic growth is starting to slow down

due to the repercussions of the pandemic, a slow but steady decoupling from Western economies as well as a failing real estate sector (Bickenbach et al., 2023). Therefore, the question remains how China will react to this approach from the US. This question is interesting for other regions and global players like the EU as well. The reason is that China's handling of this situation shows how far it is willing to go to counter such behavior of international actors. As this briefing will show, the Liberation Day caused change in the way China responded to its current challenges. The Chinese government switched its strategie from a narrow response targeting specific economic sectors to a full scale tarif war and expanded its means to counter the conflict with the USA. Under the presumption that China „will fight until the end" (Megerian, C, 2025), the Chinese government developed an active way of response against the protectionist strategie of the Trump administration. To prove this, this briefing will go through the timeline of the newest trade war between the USA and China up until the first three weeks after the Liberation Day.

The US Measures: Pre-Liberation Day

After the inauguration of the Trump administration in January 2025, the United States significantly intensified its protectionist measures against China. In the months leading up to Liberation Day, a series of decisive actions were taken. On February 1, 2025, Trump signed an executive order imposing a 10 percent tariff on Chinese imports, officially citing the need to curb fentanyl inflows (The White House, 2025a). March 3, 2025, saw another major escalation when Trump raised tariffs on Chinese goods from 10 to 20 percent, taking effect the following day (The White House, 2025b). China's response remained comparatively cautious, focusing initially on agricultural countermeasures. However, tensions further escalated on March 25, when the US Commerce Department added over 50 Chinese entities to its Entity List, targeting the development of China's military technologies (Bureau of Industry and Security, 2025). These moves laid the groundwork for a more comprehensive policy shift. The decisive moment came on April 2, 2025, when Trump declared "Liberation Day" and announced sweeping new tariffs: a universal 10 percent tariff on all imports, and a specific 34 percent tariff increase on Chinese imports, cumulatively raising Chinese import duties to 54 percent (The White House, 2025c). These aggressive steps marked the beginning of a full-scale trade conflict, with the US aiming to systematically decouple key industries from Chinese influence.

The US Measures: Post-Liberation Day

Following Liberation Day, the Trump administration escalated the economic conflict at an unprecedented pace. On April 9, 2025, the US further raised tariffs on Chinese goods, lifting the reciprocal tariff rate to 125

percent (BBC News, 2025). On April 10, the White House clarified that the combined tariff burden on Chinese goods would now reach 145 percent, accounting for earlier tariffs (Mangan et al., 2025). In parallel, Trump signed an executive order exempting certain electronic goods, including smartphones and semiconductors, from the 125 percent tariff, though these products remained subject to the earlier 20 percent tariff (The White House, 2025d). On April 17, 2025, the USTR announced further actions targeting China's maritime and shipbuilding sectors, signaling that more sector-specific measures would follow (Office of the United States Trade Representative, 2025). Altogether, the post-Liberation Day period demonstrated a rapid move by the US from tariff measures to a broader strategy of economic disentanglement, targeting not only trade flows but also strategic infrastructure and industry sectors.

China's Reaction: Pre-Liberation Day

In response to the initial measures introduced under President Trump's new trade policies, China's response had a smaller scope than the measures by the US. On February 10th, the Chinese government announced a 10% tariff on selected US imports, specifically targeting LNG shipments, including goods such as crude oil and large-engine vehicles (CNA, 2025). It can be estimated that the Chinese Government had chosen this type of retaliation, to demonstrate its readiness to respond, while simultaneously minimizing the economic burden on its own economy. This can be underscored by the fact that the majority of China's energy imports originate not from the United States, but predominantly from Russia and the Middle East (International Trade Center, 2024). For nearly a month, this tariff remained China's sole retaliatory measure. On the diplomatic front, China also sought to challenge the US actions by initiating a dispute settlement process at the WTO (World Trade Organisation, 2025a).

On March 10th, the trade conflict escalated further. Nevertheless, China refrained from engaging in a full-scale tariff war. Instead, it expanded its measures selectively, targeting specific import sectors and US companies. China imposed 15% tariffs on goods such as chicken, wheat, corn and 10% tariffs on goods like pork, beef, aquatic products, fruits and dairy products. At the same time 15 US-companies have been put under the surveillance of the Chinese Export Control Law, which classifies the importation of certain goods as a potential national security risk. Therefore, imports of these goods became subject to governmental authorization, thereby granting the authorities tighter control over market access. Furthermore three soybean producers have been banned completely from Chinese markets and the import of US-manufactured wooden locks has been prohibited (GTAI, 2025).

Altogether the reaction of the Chinese Government has been relatively restrained compared to the measures it faced. This cautious approach indi-

cates that China acted with a view to avoiding further escalation, advancing only when the United States intensified its measures. Moreover, the non-tariff measures employed by China had previously been used against China itself, albeit in different economic sectors. Consequently, China's response to the trade conflict can be regarded as primarily reactive and less provocative.

China's Reaction: Post-Liberation Day

The first three weeks following Liberation Day revealed a distinct shift in China's strategy. After Liberation Day, China announced 34% tariffs on all goods imported from the US (Möbius, K., 2025), mirroring the tariff rate imposed by the US. This strategy was maintained for the next three weeks. When the US increased their tariffs on Chinese goods, China did so vice versa. By April 9th, China had announced an increase in tariffs to 84%, in direct reaction to a corresponding rise in US tariffs (Voigt, C., 2025). Two days later, on April 11th, the Chinese government further escalated its response by raising tariffs on all US goods to 125%, following the US decision to increase its tariffs to 145% (Spiegel 2025). It is important to note that despite China's new scope of its tariffs, it still maintained a purely reactive strategy. China did not impose further sanctions without the USA making the first step. It is only the way the Chinese response has changed.

In addition to tariffs, China has also used different measures in the trade conflict. One of them being the suspension of exports of certain rare earth elements to the USA. This was one of the first measures being implemented after the Liberation Day. These materials hold significant strategic value due to their essential role in high-tech industries and the defense sector (Spiegel, 2025).

Further actions followed on April 4th, when China initiated a new dispute at the WTO against the reciprocal tariffs imposed by the United States. Notably, China did not just try to formally condemn the USA internationally but also to rally potential partners around it by emphasizing its effects towards all trading nations, thus framing it as a broader global issue (WTO, 2025b).

Simultaneously, China embarked on a diplomatic initiative. In a diplomatic charm offense, Xi Jinping personally visited multiple countries, beginning in Southeast Asian nations like Vietnam and Cambodia, to promote a united stance against the new trade policies of the USA (Sim, D., 2025).

Conclusion

In sum, the Liberation Day on April 2nd marked a significant turning point in China's response to US trade measures. While the core of China's strategy remained reactive, the intensity of its economic responses increased markedly. At the same time, China began to assert itself more proactively on the diplomatic stage, seeking to build international support through

multilateral institutions like the WTO and through bilateral engagements. The developments in US-China trade relations in early 2025 demonstrate how economic competition between two major powers can rapidly escalate into a full-scale trade conflict. The Trump administration's approach, characterized by aggressive tariff increases and sector-specific restrictions, reflects a broader strategic aim to reduce US dependency on China and reassert economic sovereignty. Initially cautious, China's reactions evolved over time, culminating in a more intense but still reactive counter-strategy after Liberation Day. Moreover, China expanded its means of response beyond tariffs, leveraging critical supply chains and seeking to rally broader international support against US actions. Overall, the pattern of escalation highlights a deepening economic rivalry that is unlikely to be resolved in the short term. Both sides appear willing to endure significant economic costs to defend their strategic interests. For other international actors, including the European Union, the evolving trade war serves both as a warning and as an indicator of a fundamentally shifting global economic order.

Timeline:

04.02.2025: Klage bei WTO gegen erste US-Zölle

10.02.2025: Zölle auf Kohle und LNG-Importe

10.03.2025: Erweiterung Zölle auf Agrarprodukte; 15 US-unternehmen auf Liste des ECL gesetzt;

04.04.2025: ankündigung 34% gegen alle US-Importe angekündigt(zum 11.04.); 7 seltene Erden dürfen nicht mehr ausgeführt werden; Klage bei WTO gegen reziproke Zölle

09.04.2025: 34% werden auf 84% erhöht (Ankündigung zum 11.04.)

12.04.2025: 125% Zölle gegen US-Importe treten in kraft

References