

China hits back at US tariffs

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China has struck back quickly against the imposition by US President Trump of a 10 percent tariff on all its exports with a series of measures, including tariff hikes on a range of US exports, an investigation into Google and export controls on tungsten-related materials.

It has imposed a 15 percent levy on US coal and liquified natural gas exports and a 10 percent tariff on oil and agricultural equipment.

According to a report in the *Financial Times*, the competition investigation into Google will focus on its Android operating system and whether its practices cause any harm to Chinese phone makers which use the software.

The move on Google follows a decision in December to launch an anti-trust investigation into the leading US AI chipmaker Nvidia. An investigation into the chipmaker Intel is also reported to be under consideration.

The imposition of export controls on tungsten was announced by the Commerce Ministry together with controls on “25 rare metal products and technologies.” China is the world’s largest producer of tungsten, supplying about 80 percent of the global market. Tungsten is valued for its high density and melting point and used in the production of armour-piercing missiles.

Responding to the US measures, which came into effect yesterday, China’s finance ministry issued what amounted to a pro forma statement that they seriously violated the rules of the World Trade Organisation.

“It is not only unhelpful in solving its own problems, but also undermines the normal economic and trade cooperation between China and the US,” the ministry said.

The Chinese response has been characterised as relatively muted and measured. The targeting of LNG and coal will not have a great impact. The US supplied just 6 percent of China’s LNG last year and China

imports little coal from the US.

Comments made to Bloomberg by Dylan Loh, a professor at Nanyang Technological University in Singapore, summed up the general assessment of the Chinese moves.

Describing the response as “measured and appropriate,” he said: “It allows Beijing to be seen to be doing something, without exactly reacting in a manner that would be seen as inviting further retaliation.”

No doubt the Chinese leadership has taken into consideration the 30-day suspension of the 25 percent tariff hikes which Trump threatened to impose on Mexico and Canada, and may be hopeful of something similar to emerge from a foreshadowed phone communication between Trump and China’s president Xi Jinping which may take place later this week.

But according to Robin Xing, chief China economist at Morgan Stanley, there is not a great prospect of that happening.

“The likelihood of [an] agreement to avoid tariffs appears limited,” he told the FT. “Paths to de-escalation ... remain narrow and would require significant compromises from both sides.”

However, given that no one, including Trump himself, knows what he might do from one day to the next there is always the possibility of some deal being announced to be proclaimed by Trump as a victory.

An across-the-board 10 percent hike in the tariff on Chinese exports – and more if Trump follows through on his previous threat of a 60 percent impost – will certainly have a significant impact on the Chinese economy which is experiencing its lowest growth in more than three decades and is dependent on export revenue.

But it may not be as great as Trump is hoping for because since his first administration Chinese firms have been offshoring some of their operations to other

countries, both as a way of avoiding US actions and developing new markets.

The result is that China's direct share of US imports has fallen by eight percentage points from 2017 to 2023 according to a report by the Rhodium Group. Some Chinese production has been shifted to countries such as Vietnam and Mexico and then is exported to the US.

Lynn Song, greater China economist at the financial firm ING, told the FT US tariffs would have a limited effect because "a lot of price-sensitive exports to the US have already been redirected as a result of the first trade war."

However, this does not imply any lessening of the US measures. It contains the possibility of their extension because in order to combat China it will have to target low-cost exporters with which it has a significant deficit.

While there was a sigh of relief at the last-minute suspension of the tariffs against Mexico and Canada, on the basis they would take action against the illegal export of the drug fentanyl, that conflict is by no means over.

Following his discussions with Canadian Prime Minister Justin Trudeau, Trump turned to the issues at the centre of his trade war measure saying discussions would shift to exploring "whether a final economic deal with Canada can be structured."

He has continually denounced Canada for being "very tough" and not treating the US well.

The driving force of his measures is not to halt the flow of illegal drugs or to stop so-called "illegal" immigrants, neither of which emanate from Canada, but to consolidate a North American bloc, subordinated to the US to place it in the best possible position to assert its dominance over rivals – China and the European powers.

Trump's continual references to Canada becoming the 51st state, together with the threats to acquire Greenland, by force if necessary, and the attacks on Panama over the Canal, are all expressions of this elemental drive of US imperialism.

As far as the threat of tariffs is concerned, the Canadian Chamber of Commerce has warned that nothing has been resolved, and businesses have been put in limbo because the tariffs are still on the table.

Over the border, the US auto industry, which reacted with consternation to the prospect of tariffs because of

the major cost increases they would impose, is likewise gripped with uncertainty. Not only are The Big Three impacted but also the many companies which supply parts to them.

Bill Long, the chief executive of MEMA, the vehicle suppliers' association, told the *Wall Street Journal*: "Even the threat of tariffs has the potential to be catastrophic." Even if one major supplier were kneecapped by higher tariffs it could cripple the entire industry, he said.

And across the Atlantic the European Union is bracing for the unleashing of the US tariff war as Trump has made clear it is in his sights, repeatedly describing the EU treatment of the US as an "atrocious."

"It will definitely happen with the European Union," Trump has said of his tariff plans. "They've really taken advantage of us."

The EU must not only deal with the tariff war but with the US threat to annex Greenland, at first regarded as a joke, but which is now being regarded more seriously as the other imperialist powers confront a rapacious US on the rampage.



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