

Trump moves to reignite tariff war with China

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US President Trump has threatened to impose a 100 percent additional tariff on China, on top of the impost of 40 percent which now applies, to come into effect on November 1. If implemented, they will reignite all-out trade war and end the fragile truce agreed to after the April 2 “liberation day” tariffs of around 145 percent.

The Trump move, which saw the biggest fall on Wall Street since the April events, was announced in a social media post on Friday.

It was delivered in response to a Beijing announcement that it would require companies to obtain a license from its authorities if they were exporting products which contained Chinese rare earth minerals. Rare earths are vital in the production of computer chips and magnets able to function under high temperatures. They are crucial for the auto industry and the military, particularly jet aircraft.

The new Chinese guidelines follow closely those imposed by the US, which stipulate that any company using American chip technology anywhere in the world must do so according to US guidelines.

A statement from the Chinese commerce ministry said that the new measures were to “protect its national security and interests” and prevent the “misuse of rare-earth materials in military and other sensitive sectors.” It said some companies had harmed Chinese security by transferring rare materials and technology for military use.

In response to the Chinese decision in the lead-up to the tariff announcement, Trump issued some of his most bellicose statements so far in the trade war. He described the new Chinese rare earth restrictions as “sinister and hostile” and said they would create difficulties for every country in the world.

He said the administration was considering a “massive increase of tariffs on Chinese goods” coming

into the US and warned that there were “many other countermeasures” that were under consideration.

Referencing the Chinese domination of rare earth minerals processing—around 90 percent of global production—Trump wrote: “For every element that they have been able to monopolize, we have two. I never thought it would come to this but perhaps, as with all things, the time has come.”

While it is always difficult to discern what exactly may follow Trump’s statements, one very likely interpretation of these remarks is that Trump, along with the anti-China hawks in his administration and his backers in Congress, has drawn the conclusion that it is time to proceed with the all-out economic war against China set out in April.

Trump pulled back from a full-scale offensive after the initial announcements and there was a truce organised as a result of extensive discussions led by Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer with their Chinese counterparts.

A key motivation for the US side was the adverse reaction on Wall Street which recorded a marked downturn and a sharp fall in the value of the dollar. But the truce has not brought any resolution of the substantive issue advanced from the Chinese side that the US tariffs and export controls be rolled back.

The escalation of the conflict has come on the eve of a scheduled meeting between Trump and Chinese President Xi Jinping on the sidelines of the Asia Pacific Economic Cooperation leaders’ meeting in South Korea at the end of the month.

Whether that meeting goes ahead is now in doubt. Trump initially said while he had planned to meet Xi “now there seems no reason to do so.” In later comments, he said that he had not cancelled the

meeting but did not know if it would take place.

The decision to implement the tariffs on November 1, two days after the proposed meeting with Xi, appears to have been with the aim of providing an opening for a last-minute shift by Beijing. Asked what would happen if China reversed its controls, Trump said: “We’re gonna have to see what happens. That’s why I made it November 1.”

But the prospect for further manoeuvres appears to be narrowing as attitudes are hardening. The current 90-day truce which was agreed to in August is due to expire in mid-November and Beijing, unable to secure any movement by the US on its demands, would have expected a significant response from Trump to its latest move.

In a statement issued yesterday, the commerce ministry said the US was to blame for the deterioration in relations and that since talks in Madrid last month it had “continuously introduced a series of new restrictions against China.” These included putting more companies on a US trade blacklist.

“China’s position on the tariff wars has been consistent; we do not want to fight, but we are not afraid to fight,” it said.

Seeking to lessen any international support for escalation by Trump, it said the new controls on rare earths would be “extremely limited” and companies that applied for civilian uses that complied with regulations “need not worry” about having them approved.

It repeated long-standing and well-founded claims that the US had “abused export controls” and overstretched the concept of national security.

Another factor in the Chinese decision to push ahead may well be that the US Supreme Court will start to consider on November 5 whether Trump has exceeded his authority under the International Emergency Economic Powers Act of 1977 in imposing the so-called reciprocal tariffs in the first place, following rulings by two lower courts that he had.

On the US side, there is considerable momentum within the administration for an end to truces and negotiations. The *Financial Times* reported that Trump’s reaction to the Chinese measures had “sparked hope” among anti-China hawks that they could now push ahead after they had been prevented from “taking tough security actions to avoid

jeopardizing the trade talks and the summit” with Xi.

John Moolenaar, the Republican chair of the House China committee, said China had “fired a loaded gun at the American economy” and that Congress should pass bipartisan legislation against Beijing that would revoke China’s normal trade relation status with the US.

One of the factors in determining the development of the present conflict will be the reaction of the US financial markets.

As the *Wall Street Journal* noted, early on Friday stocks were headed for a new record before Trump’s mid-morning announcement of retaliation against the rare earth export controls. The S&P 500 index fell 2.7 percent, its biggest decline since the April 10 fall of 3.5 percent when markets reacted to Trump’s “liberation day” announcements.

And according to Manish Kabra, head of US equity strategy at Société Générale, the selloff would have been “bigger if investors did not assume that [China and the US] will still strike a deal.”

In a note to clients, cited by the *Journal*, Wedbush Securities analyst Dan Ives wrote: “This step up in tensions has created a white knuckle moment for the markets with tech stocks under major pressure.”



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