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Why China Retaliated Against Trump's Tariff War

By Ghulam Ali

SYNOPSIS

China adopted a tit-for-tat response to US President Donald Trump's barrage of tariffs. Exercising restraint could have prevented the trade war from escalating. Why did China decide to retaliate so forcefully?

COMMENTARY

Why did China choose to retaliate against US President Donald Trump's steep tariffs, risking [US\\$438](#) billion in exports to the US? A more restrained approach, as adopted by most countries around the world, could have limited tariffs on China to an initial 34 per cent instead of escalating them to 254 per cent on selected products.

Thus far, Beijing has shown no sign of weakness. Instead, when Trump gave the impression that Chinese President Xi Jinping had called him, Beijing forthrightly [rejected](#) the claim, refuting any engagement between the two countries on tariffs. The [Wall Street Journal](#) described China's response as a victory in this round.

This article argues that China's retaliation against Trump's tariffs is not an extemporaneous, out-of-the-blue escalation or a reckless measure. China made a well-considered decision based on long-term preparation. It was seemingly ready to ["fight till the end"](#) while keeping the door open for negotiations.

A Matter of National Prestige

First and foremost, China's response was driven by national prestige, reflecting the Chinese leadership's strong sense of equality. Complying with Trump's ultimatum, to refrain from retaliation or face even steeper tariffs, would have projected weakness and risked damaging President Xi's credibility both domestically and internationally.

China's Preparedness

China's preparedness in preceding years contributed to this decision. During President Trump's first term (2017-2021), he imposed both economic and technological curbs, which led Beijing to take long-term measures to better withstand future geopolitical and economic shocks.

Beijing gradually began to reduce its heavy reliance on the US markets. As a result, the share of Chinese exports to the US between 2018 and 2024, dropped from approximately 19 per cent to [13.4 per cent](#). While the US remained the largest export destination, the reduced dependence provided China with a measure of relief.

Parallel to this, Beijing diversified its exports. In particular, China expanded its economic and trade ties with ASEAN, the Gulf Cooperation Council (GCC), and, to some extent, the [European Union](#). China also joined different trade blocs, such as the 15-member Regional Comprehensive Economic Partnership (RCEP), the largest trading bloc by GDP, and formally applied for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2021.

Pursuing Technological Self-Reliance

Starting in 2018, the US increased restrictions on technology exports to China by cutting supplies of chips and semiconductors, banning all federal agencies from using equipment from China's Huawei and ZTE, and blacklisting dozens of Beijing's tech companies.

In response, China significantly increased spending on R&D, focusing on self-reliance in semiconductors, AI, and quantum computing. China's development of its own AI model, [DeepSeek](#), in 2025, with limited resources and far less investment, took the world by storm and strengthened Beijing's confidence in its technological capabilities.

Liberalising Investment and Tourism

In addition to diversifying exports and advancing technology, China encouraged foreign investments and tourism. In 2025, after long consideration, China outlined the [Action Plan for Stabilising Foreign Investment](#), granting foreign investors equal rights with local businesses across several key areas.

This provided access to sectors like telecommunications, healthcare, and education, removed restrictions on foreign investment in manufacturing, and ensured foreign-invested enterprises (FIEs) to participate in government procurement and public tenders on an equal footing with domestic firms, to use domestic loans for equity investments, and encouraging reinvestment of profits within China.

These measures provided a fair, transparent, and competitive business environment for foreign enterprises. At the same time, to attract tourism, Beijing relaxed its visa policy considerably, especially for countries in the EU, East Asia, and Southeast Asia.

Promoting Private Sector Equality

Beijing also adopted policies to encourage [domestic consumption](#) and support the country's private sector, although some argue that there is scope for further action on these fronts. In China, state-owned enterprises (SOEs) had inherent advantages over the private sector. New measures ensured a level playing field and equal treatment for the private sector in areas such as market access, legal protections, and government procurement. In January 2025, Xi Jinping met with CEOs from the private sector for the first time in over six years, signaling China's recognition of the private sector's importance.

These measures helped China to diversify its exports and increase its resilience. Therefore, as Trump announced tariffs, China did not take much time to retaliate. Beijing adopted a strategic response. Instead of applying uniform tariffs, China adopted a target-specific policy. It imposed tariffs on US agricultural imports by hitting farmers, who were Trump's prime constituency, banned the export of rare-earth minerals crucial for some key industries, and halted all Chinese airlines from receiving airplanes and parts from the US-based Boeing Co.

Strengthening Regional Ties

Parallel to this, China strengthened its relationships with neighbouring countries and the Global South. On 8-9 April, Xi Jinping chaired the Central Conference on Work Related to Neighbouring Countries. A few days later, from 14 to 18 April, Xi visited Vietnam, Malaysia, and Cambodia, where he reaffirmed China's commitment to enhancing its ties with its neighbours. In the context of intensifying US-China rivalry, China is likely to strengthen its relations with neighbours and the Global South further under the umbrella of the Belt and Road Initiative.

Challenging US Tariffs

Along with these measures, China formally lodged a complaint with the World Trade Organization (WTO) regarding the US tariffs, calling them "reckless" and threatening global trade stability. Beijing also convened an informal UN session to denounce the US for its aggressive use of tariffs. As many countries were concerned about Trump's tariff measures, China was able to position itself as an alternative and predictable partner.

Taking Advantage of the Centralised System

It is also worth noting that China's authoritarian system with the state's control over fiscal and financial institutions allowed Beijing to devise a centralised strategy with all institutions on board. Typically, tariffs first hit financial markets, especially equities. As US tariffs began impacting Chinese stock markets, the government swiftly intervened by mobilising a so-called "national team" to [stabilise](#) the market.

Over a hundred top-listed Chinese firms, including Central Huijin (a sovereign wealth fund), China Chengtong Holdings, China Reform Holdings, the National Council for Social Security Fund, Sinopec, China Mobile, and Moutai, pledged to increase their

shareholdings. At the same time, regulatory authorities eased rules on stock purchases to facilitate market confidence.

According to economists, the rare intervention by China's sovereign wealth fund and the People's Bank of China clearly showed Beijing's determination to maintain financial stability amid external shocks.

Conclusion

To sum up, a combination of self-esteem and readiness, through measures such as diversifying its economy, seeking new trade blocs, encouraging foreign investments alongside strengthening the domestic private sector, deepening ties with neighbouring countries and the Global South coupled with its centralised system in which the state controls over institutions, enabled China to respond robustly to Trump's tariff war.

A closer look at China's policies over the month suggests that it is unlikely to retreat from its current position or take the initiative to begin negotiations with the US on tariffs.

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