# China's resilience in the escalating US trade war



A trade war between the United States and China, the world’s two largest economies, has escalated with each side imposing substantial tariffs on the other’s exports. Chinese exports to the US now face tariffs as high as 245%, while China has retaliated with levies up to 125% on American imports. This conflict has stirred uncertainty across global markets, businesses, and consumers, with concerns rising about the potential for a global recession.

Despite these pressures, the Chinese government has indicated a willingness to negotiate but remains resolute about defending its interests. President Xi Jinping’s administration has made it clear it is prepared to “fight to the end” if necessary in this economic confrontation.

China’s ability to withstand the tariff impact is underpinned by several factors. As the world’s second-largest economy, China has the financial capacity to absorb significant economic shocks. Its population of over a billion people provides a vast domestic market that could mitigate some of the damage caused by reduced exports, though boosting consumer spending continues to be a challenge. According to Mary Lovely, a US-China trade expert at the Peterson Institute, China "very well may be willing to endure the pain to avoid capitulating to what they believe is US aggression." As an authoritarian regime, China is less exposed to short-term public opinion pressures compared to the US, where elections can influence policies rapidly. Nonetheless, there are concerns about potential social unrest given the country is already facing property market difficulties and rising job losses. The Chinese Communist Party has sought to rally nationalist sentiment to maintain public support, with state media urging citizens to “weather storms together.” Officials have sought to reassure the population, with some stating, "The sky will not fall."

Over the years, under Xi’s leadership, China has been investing heavily in future-facing industries to reduce reliance on US technology and markets. The nation has focused on advancing sectors such as renewable energy, semiconductors, artificial intelligence, and electric vehicles. For example, the country boasts innovations like the AI chatbot DeepSeek and the electric vehicle manufacturer BYD, which surpassed Tesla last year to become the largest in the world. Beijing has also committed to investing over $1 trillion in AI research and innovation over the next decade. Despite efforts by US companies to shift supply chains away from China, alternatives have struggled to match China’s vast infrastructure and workforce expertise. These factors bolster China’s ongoing economic resilience in the trade war.

China’s response to earlier trade tensions during Donald Trump’s previous administration shaped its current strategies. The tariffs imposed in 2018 accelerated China’s efforts to diversify trade away from the US, strengthening trade relationships with the Global South through its Belt and Road Initiative, which focuses on expanding infrastructure and trade links across South East Asia, Latin America, and Africa. China’s soybean imports from the US, which once represented approximately 40% of domestic demand, have halved due to increased domestic cultivation and purchases from Brazil, now China’s largest supplier. This shift not only reduces Chinese dependence on US agricultural products but also impacts American farmers. According to Marina Yue Zhang, associate professor at the University of Technology Sydney’s Australia-China Relations Institute, this “kills two birds with one stone” by weakening the US farm market and improving China’s food security credentials.

In 2023, South East Asia overtook the US as China’s largest export market, and China was the leading trading partner for 60 countries, nearly double that of the US, reflecting its growing global economic influence. China concluded 2024 with a record trade surplus of $1 trillion. Despite this diversification, the US remains a major economic player for China. Beijing has warned other countries not to strike trade deals that compromise China’s interests, highlighting the complex position many nations find themselves in between the two superpowers. Malaysia’s trade minister, Tengku Zafrul Aziz, remarked to the BBC, “We can't choose, and we will never choose [between China and the US].”

The US administration’s own economic and political considerations have influenced the trade war’s dynamics. President Trump initially imposed sweeping tariffs but later suspended many for 90 days following a sell-off in US government bonds—a move signalling his sensitivity to financial market reactions. Since then, Trump has suggested a de-escalation, indicating tariffs on Chinese goods would "come down substantially, but it won't be zero." The Chinese government, holding approximately $700 billion in US Treasury bonds—the second largest holder after Japan—has considered this financial leverage a bargaining chip. However, experts caution that using US bonds as a weapon against the US economy would also harm China’s investments and destabilise its own currency, the yuan. Dr Zhang described China’s bond holdings as "a bargaining chip, not a financial weapon."

In addition to economic and geopolitical strategies, China maintains a strategic advantage through its control over rare earth elements, critical materials in manufacturing semiconductors and various high-tech products. This chokehold adds a layer of complexity to the trade conflict, potentially giving Beijing an influential position if supply disruptions were to occur.

As this trade war continues, China’s blend of economic scale, targeted investments in technology and innovation, strategic trade realignment, financial leverage, and control of essential resources forms a multifaceted defence against US tariffs. The tensions remain a defining feature of the global economic landscape with no immediate resolution in sight.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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2. <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/> - This site gives an overview of President Trump's tariffs on China and other countries, highlighting the recent increases in tariffs as part of the trade war, although specific tariffs like 245% are not detailed here.
3. <https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-from-canada-mexico-and-china/> - This URL supports Trump's actions on tariffs, though it does not specifically focus on the current tariffs against China, it shows Trump's approach to tariffs against multiple countries.
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