

# THE LOGIC, FEATURES AND LAYOUT OF TRUMP 2.0 “TARIFF WAR”

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After Donald Trump returned to the White House, the U.S. government launched a host of measures of “tariff wars”. In addition to announcing tariffs on goods imported to the United States from Canada, Mexico and China, the government also imposed trade restrictions on specific industries including steel, aluminum and copper, as well as advanced plan for “reciprocal tariffs”. Donald Trump claimed that a “tariff war” would correct trade imbalances, boost government revenue and promote the reshoring of manufacturing to the United States. By leveraging tariffs, the U.S. also attempts to achieve goals in border security, illegal immigration and fentanyl control. Undoubtedly at a central position in Trump’s second term in office, the “tariff war” will exert impacts far beyond economic and trade policies and upon the direction of China-U.S. relations.

## THE DEEP-SEATED LOGIC OF TRUMP 2.0 “TARIFF WAR”

Donald Trump is more obsessed with “tariff war” in his second term than his first term. On many occasions, he called tariff “the most beautiful word”, which could make America richer and stronger. Based on the views of Donald Trump, senior U.S. government officials and their core think tanks, the strategic significance of tariffs for the United States can be mainly summarized in the following three aspects.

First, tariffs can bring huge revenue to the U.S. government to help address the increasingly aggravating public debt crisis in the country. Tariffs played an important role in the process of the United States becoming a world

power. Between 1789 and 1939, 90% of the U.S. federal government’s revenue came from tariffs. In Trump’s view, tariff reductions and exemptions, as “subsidies” from the U.S. government to other countries, are the culprit for the U.S. government’s growing reliance on domestic income taxes and a public debt crisis. Trump said that being not rich and with a federal government debt of up to USD 36 trillion, increasing tariff revenue would help improve the U.S. government’s financial situation. In his inauguration speech in January 2025, Trump announced that he would overhaul the trade system and impose tariffs on foreign countries to enrich American citizens. To this end, Trump decided to establish the External Revenue Service to “generate wealth for the American people”. The newly-established agency, headed by Commerce Secretary Howard Lutnick and Treasury Secretary Scott



*(Photo/C. Photo)*

*On April 2, 2025, in Washington, D.C., U.S. President Trump declared a national emergency and imposed comprehensive tariffs.*

Bessent, aims to manage tariffs and other trade-related income collected from foreign countries. Kevin Hassett, director of the White House National Economic Council, said that by imposing a 10% tariff on Chinese imports and eliminating the “de minimis exemption” for goods valued below USD 800, the United States would receive USD 500 billion to USD 1 trillion in tariff revenue from China over the next decade. Trump believes that the U.S. government urgently needs to “reduce spending and increase revenue” and that the increase of tariff revenue will create favorable conditions for implementing large-scale tax cuts in his second term. The Trump administration is also attempting to make use of the tariff revenue to support the United States Sovereign Wealth Fund, the establishment of which was announced in early February 2025.

Second, tariffs are a means of restricting foreign goods and boosting the revitalization of the U.S. manufacturing. With special attention to trade balance, Trump aspires to reduce the U.S. trade deficit by means of tariffs. Setting the goal of making the U.S. the top global superpower in manufacturing, Trump strives to protect domestic industries with the “tariff walls” and boost the prosperity of “Main Street” (which is the traditional real economy). In March 2025, Trump delivered a speech to the U.S. Congress to advertise his achievements in protecting the U.S. steel industry, claiming that “tariffs are not just about protecting American jobs, they’re about protecting the soul of our country”. Trump aims to consolidate the voter base by “protecting” such traditional industries as steel, aluminum and copper, which is an act with evident political intention. Moreover, Trump also attaches so great importance to high value-added manufacturing, supporting chip manufacturers like Intel and automobile manufacturers. He proposed that the supply chains of critical products should be 100% located within the United States and those companies producing in the United States would enjoy a 15% corporate tax rate. For the Trump administration, tariffs are essentially an industrial policy, which represents an attempt to reverse the subsidy-based industrial policy of the Biden administration and instead leverage tariffs to force the reshoring of critical product production to the United States. U.S. Treasury Secretary Scott Bessent stated that tariffs were just a means and the ultimate goal was to push for the return of manufacturing to the United States and ensure U.S. economic security.

Third, tariffs are employed to pressure other countries

into making concessions to the United States, in order to achieve “reciprocity” and other policy goals. Trump complained that many countries, including the U.S. allies, have long “taken advantage of” the United States, leading the U.S. being “treated unfairly”. On February 13, 2025, the White House issued a Presidential Memorandum on “Reciprocal Trade and Tariffs”, stating that the United States is one of the most open economies in the world, has the lowest weighted average tariff rate in the world and imposes fewer barriers to imports. The United States has long been “treated unfairly” by trading partners, leading to its large trade deficit in goods, which undermines the interests of American workers and industries and threatens U.S. economic and national security. In pursuit of the “reciprocal tariffs” plan, Trump will pressure its trading partners into lowering their tariffs on the United States, overhaul the so-called “discriminatory tax arrangements” (such as value-added tax and digital service tax), weaken non-tariff barriers as a result of other governments’ subsidies, regulations, exchange rates and other policies and open up broader market space for American businesses. In addition, by wielding the big stick of tariffs, Trump pushes relevant countries into meeting his demands for border security, illegal immigration and drug control. By “linking” tariffs with other policy issues, tariff threats are used as negotiation leverage. It is also a prioritized issue for Trump to maintain the status of the U.S. dollar. He threatened BRICS nations with 100% tariffs if they continued to undermine the U.S. dollar.

## THE MAIN FEATURES OF TRUMP 2.0 “TARIFF WAR”

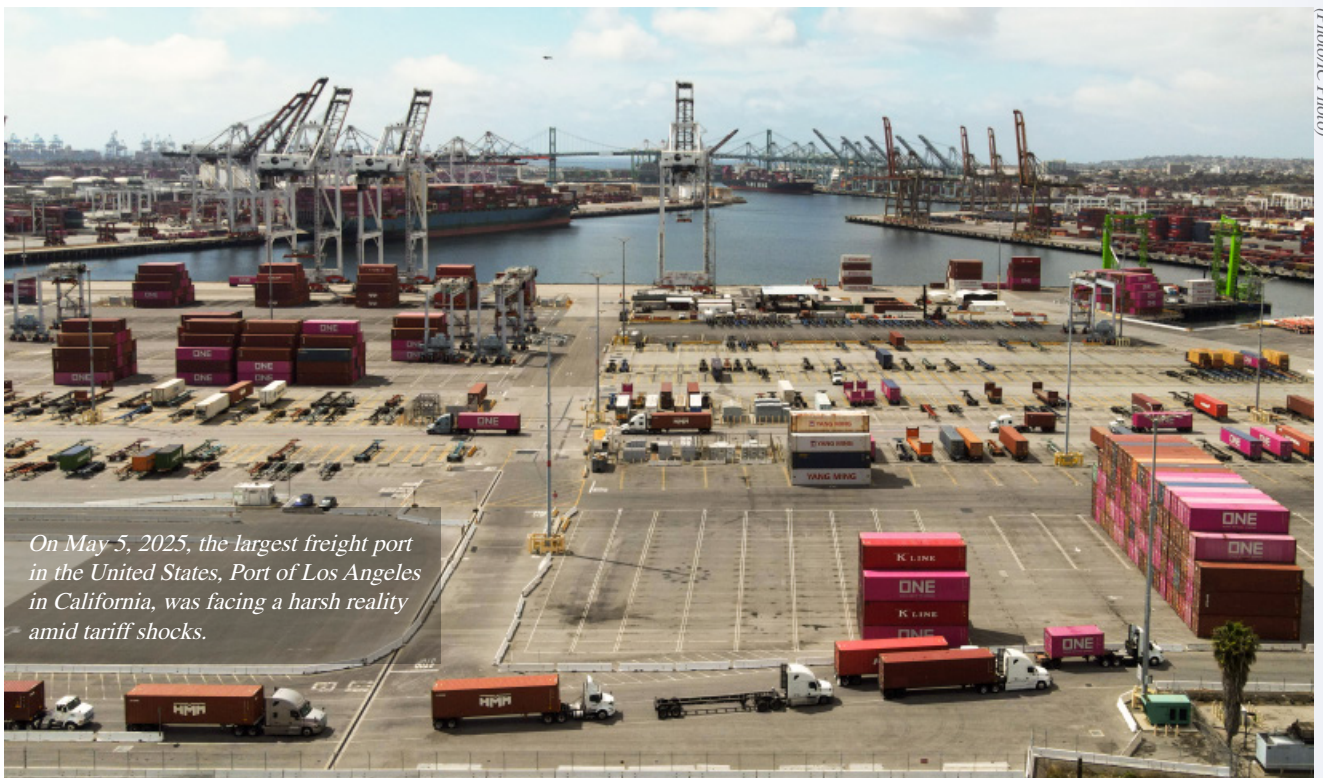
Trump’s obsessive enthusiasm for “tariff war” during his second term demonstrates his deep-seated economic nationalism, which itself could inflict negative impacts on the United States. In view of this, while waging the “tariff war”, Trump also displays the so-called “art of the deal” by means of postponing tariffs and offering conditional exemptions to lessen the loss suffered by the United States. The “tariff war” strategy pursued by the Trump administration mainly exhibits the following features.

First, Trump advances tariff measures in a high-profile manner to project his image as a “strongman” who immediately fulfills campaign pledges. On the very first day of his presidency on January 20, 2025, Trump issued the Memorandum on America First Trade Policy, in which he proposed such measures as a global supple-

mental tariff and the establishment of External Revenue Service. Later, the United States announced 25% tariffs on imports from Canada and Mexico and a 10% additional tariff on imports from China. On February 10, Trump further announced imposing 25% tariffs on all steel and aluminum imports to the U.S. from all trading partners. On February 13, Trump announced the “reciprocal tariffs” plan. His administration also seeks tariff actions targeting specific industries such as automobiles, chips, timber and pharmaceuticals. In early March, Trump directed the U.S. Secretary of Commerce to initiate a “Section 232 investigation” under the Trade Expansion Act of 1962 to evaluate the impact of imports of timber, lumber and their derivative products on America’s national security, in preparation for relevant trade restriction actions. On March 26, Trump signed a proclamation at the White House to impose a 25% tariff on imports of automobiles. He invoked the International Emergency Economic Powers Act to quickly advance a series of tariff actions. This move is considered unfounded and undermines the capacity of the U.S. Congress to counterbalance the president on tariff issues, but Trump tried to leverage this move to shape the American public’s perception of his strong political dominance. On February 9, the result of a

CBS News poll showed that Trump had started his term with net positive marks from Americans overall. Most respondents described him as “tough”, “energetic”, “focused” and “effective”, and 70% of respondents saw him as doing what he had promised during his campaign.

Second, although Trump wields the big tariff stick, he also leaves room for maneuver, so that he can pressure trading partners into making concessions and transfer benefits to the United States. After Trump’s tariff threat, the Mexican president immediately declared the deployment of 10,000 national guard troops to its border with the United States and other measures, causing the United States to postpone its tariff actions against Mexico. To avoid tariff pressure from the United States, Japanese Prime Minister Shigeru Ishiba announced a significant increase in investment into the United States and beefed up efforts to purchase American products such as liquefied natural gas during his visit to the U.S. In February, Indian Prime Minister Narendra Modi visited the White House and agreed to conduct negotiations on addressing the long-standing trade imbalance between the two countries, pledging to increase its procurement of energy products and advanced weapons from the United States. While announcing an assessment of U.S. trading partners



Photo/IC Photo

*On May 5, 2025, the largest freight port in the United States, Port of Los Angeles in California, was facing a harsh reality amid tariff shocks.*

on “reciprocal tariffs”, Trump emphasized that some “reciprocal tariffs” might not be implemented if trading partners agreed to correct their policies before officially enacting tariff policies. Even after the implementation of the policy, if some trading partners believed that the U.S. tariffs on them were too high, they could take the initiative to reduce or eliminate the tariffs on the U.S. And zero tariff was to be paid if the products were manufactured within the United States.

Third, tariff actions focus on the goal of “anti-circumvention”, especially strengthening the control over the North American economic area. While working on anti-dumping and anti-subsidy measures, the economic and trade policies adopted by the Trump administration attach great importance to “anti-circumvention”, which aims to crack down on the practice of Chinese, Russian and other foreign companies evading U.S. tariffs through trade in third countries. The Memorandum on America First Trade Policy directs U.S. government agencies to conduct in-depth investigations into the issue of evading tariffs through third countries. North America takes up the most critical position in the layout of the Trump administration. During his first term, the United States transformed the North American Free Trade Agreement into the United States-Mexico-Canada Agreement (USMCA). In his second term, Trump attempted to renegotiate the terms of the USMCA to adopt new protective measures for transit trade, preventing other countries from dumping their products into the United States through Canada and Mexico. Scott Bessent even envisioned the building of a “discriminatory tariff zone” and a “North American fortress” to strengthen control over other countries’ economic and trade policies. Trump has repeatedly said Canada should consider to become the “51st state” of the United States if the country wants to avoid tariff pressure.

Fourth, Trump uses tariff threats as a leverage to achieve policy goals in multiple fields. The “tariff wars” against Canada and Mexico are, to a large extent, an extension of its domestic policies. Every year, a huge amount of fentanyl flows into the United States from its border with Canada and Mexico, the Trump administration attempts to push ahead the resolution of the fentanyl issue through tariffs. With Europe, the Trump administration also hopes to achieve multiple policy goals through tariff threats. Stephen Miller, Trump’s top aide, stated that the U.S.’ automobile exports to Europe faced value-added tax and tariffs up to 30% as well as many non-tariff

barriers. However, the European automobile exports to the United States only needed to pay a 2.5% tariff, which caused long-term damage to the U.S. automotive industry and resulted in significant job losses. Miller also suggested that besides expecting Europe to adjust its tariffs on the United States, the country would also pressure Europe into addressing the value-added taxes, reducing digital taxes as well as reviews and fines on large American tech companies and relaxing conditions for imports of American agricultural products and automobiles. In addition, Trump also attempts to leverage the “tariff war” to force Japan, South Korea, Australia and its NATO allies to raise military spending, so as to share more security costs for the United States.

### **THE LAYOUT OF THE TRUMP 2.0 “TARIFF WAR” AGAINST CHINA**

Trump has repeatedly claimed that the United States must win the so-called “competition with China” and many of his core advisers see China as the primary rival. Robert Lighthizer, former U.S. trade representative, proposed that the United States and relevant countries should come together and create a new trade system, which could enforce balance by having “two tiers of tariffs”: A higher level of tariffs would be applied to “non-democratic” countries as well as those adopting predatory industrial policies so as to reduce their surpluses. And the countries within the new trade system would pay lower tariffs and they could be adjusted over time to allow developing countries to run temporary surpluses in order to achieve industrialization. This vision is obviously intended to isolate China in the global economy.

In the meantime, some U.S. congressmen are pushing for revoking China’s Permanent Normal Trade Relations (PNTR) status. On January 23, 2025, Republican and Democratic lawmakers for the first time jointly proposed a bill in the House of Representatives to end China’s PNTR status, demanding the U.S. government to set separate tariff standards for Chinese goods, with 100% minimal duty rates for “strategic products” imported from China and a minimum 35% tariff for “non-strategic products”. In the past six years, although the proportion of Chinese goods in U.S. imports declined from 20% to 13%, their proportion in global exports rose to 17%, higher than the 12% during Trump’s first term. Bessent and others hyped up the so-called “China shock” on a global

scale, accusing China of posing challenges to the United States and other countries with its “overcapacity”.

In this context, tariff pressure on China takes up an important position in Trump administration’s “tariff war” and many of the tariff actions it has taken are essentially relevant to China. The profound impacts of the “strategic decoupling” with China advocated by Lighthizer should not be underestimated. The U.S. still strives to reduce its dependence on China in terms of critical products and undermine China’s position in the international industrial chains through tariff measures. The U.S. “tariff war” against China is taking place both at “the direct front” and at “the indirect front”. Its strategy exhibits the strategic features of “coercion first, maximal blackmail, external deployment and integrated pressure”.

At “the direct front”, reducing the trade deficit and achieving the so-called “reciprocal” and “fair” trade relations with China are the prioritized goals of the Trump administration. According to data from the Office of the United States Trade Representative, the U.S. trade deficit in goods with China in 2024 was USD 295.4 billion, accounting for nearly 25% of US’ total trade deficit in goods. As of late April 2025, the Trump administration has announced rounds of tariff hikes on Chinese goods, with the accumulation of various tariffs imposed by the United States as high as 245% on certain Chinese exports. Trump instructed the U.S. Department of Commerce, the Office of the United States Trade Representative and other agencies to investigate trade relations with China, including the implementation of China-U.S. phase-one economic and trade agreement as well as China’s “non-market behavior and unfair practices” in areas outside of technology transfer and intellectual property. Undoubtedly, Trump’s “tariff war” against China during

his second term shows strong gestures of bullying and blackmail. He attempted to resort to tariff threats to demonstrate a tough stance towards China and force China to take the initiative to engage with the United States and make concessions to the U.S. on such issues as the acquisition of TikTok by American companies. The Trump administration has instrumentalized and weaponized tariffs to such an extent that their application approaches irrationality.

At “the indirect front”, Trump’s tariff threats against Canada and Mexico, imposition of steel, aluminum, and copper tariffs, elimination of “de minimis exemption” and the “reciprocal tariff” plan are also strongly intended to target China.

Firstly, under the U.S.’ pressure, Mexico and Canada may impose more restrictions on the commercial and investment activities that Chinese companies carry out locally. The Trump administration expects Mexico’s consistency with the U.S. in terms of tariffs on China. In late February, U.S. Commerce Secretary Howard Lutnick held talks with Mexican Economy Minister Marcelo Ebrard, reaching the agreement to establish a joint working group to address this issue. To support domestic industries and appease the Trump administration, Mexican President Claudia Sheinbaum has taken actions to tighten restrictions on cheap Chinese imports. The Mexican government has pushed for amendment of relevant laws to expand local production of components and reduce imports from China. Chinese companies also face obstacles in investing and building factories in Mexico. Canada has reinforced its national security review on Chinese companies in critical minerals and imposed high tariffs on permanent magnets, natural graphite and other Chinese imports. In addition, Canada has followed the United States to hype up the market distortion in North America caused by China’s “overcapacity”.

Secondly, the Trump administration’s tariff on such specific industries as steel, aluminum, copper, automobiles, chips and pharmaceuticals will have impacts on China. With great importance attached to maintaining the support of voters in the “rust belt” and “swing states”, Donald Trump raised tariffs on steel, aluminum and copper and emphasized that the only way for exemption of such tariffs is local production. The direct imports of steel and aluminum from China made up only 2% of the U.S.’ total, while China’s exports of relevant products to the United States are mainly done through transit



*On April 3, 2025, in Ottawa, Canadian Prime Minister Mark Carney announced countermeasures against U.S. automobile tariffs, imposing a 25% tariff in response.*

Photo/C Photo



On March 20, 2025, the 2024 CHWE Global Cross-Border E-Commerce Selection Exhibition was held in Shenzhen. The photo shows the booth of DHgate.com, of which the downloads have skyrocketed against the backdrop of excessive tariffs imposed by the U.S.

trade. Therefore, this round of tariff hikes on steel, aluminum and copper tariffs intentionally targets China. Peter Navarro, a senior White House adviser on trade and manufacturing, stated that China's copper smelting capacity accounted for over 50% of the world's total and that China's control of the global copper supply chain through government subsidies and overcapacity posed a direct threat to the national security and economic stability of the United States. The Trump administration is also considering imposing tariffs on industries such as mature-node chips and pharmaceuticals, in an attempt to push American companies to reduce their dependence on China's supply chains.

Thirdly, the Trump administration announced the elimination of the "de minimis exemption", posing challenges to China's industrial chains of cross-border e-commerce. According to the Trade Facilitation and Trade Enforcement Act, imported goods under the value of USD 800 are eligible for duty-free treatment upon entry into the United States, also known as "de minimis exemption". The Trump administration believes that the "de minimis exemption" opens up a loophole for Chinese goods to flood into the United States and exacerbates the smuggling of fentanyl and its precursors to the United States. Ending the "de minimis exemption" will deal a direct blow to Chinese sellers, with some cross-border e-commerce platforms and logistics service providers suffering losses. In addition, the Trump administration is also considering adding Temu and Shein to the "forced

labor" list of the U.S. Department of Homeland Security. This indicates that the U.S.' economic and trade pressure imposed on China is further targeting China's cross-border e-commerce and consumer goods industries.

Fourthly, the impact of the U.S. "reciprocal tariffs" on China's transit trade should not be underestimated. The "reciprocal tariffs" plan is the main leverage of Trump's economic and trade policy in his second term. When setting "reciprocal tariffs", the Trump administration took into consideration not only the tariff rates of relevant countries on American products, but also their domestic taxes (such as value-added tax and digital service tax), exchange rate manipulation and wage suppression, among other factors. If the Trump administration presses on the "reciprocal tariffs" plan, the rising pressure exerted by the U.S. tariffs on countries such as Vietnam, India and Brazil will extend to their trade relations with China, affecting such industries as electrical machinery, plastic products, furniture and toys.

## CONCLUSION

The "tariff war" waged by the Trump administration violates World Trade Organization rules and poses a serious challenge to the multilateral trading system, standing as a wrong practice "doing benefits to no one". The root cause of the U.S.' enormous trade deficit is the low domestic savings rate, rather than the lack of so-called "reciprocity" with its trading partners. The "tariff war" launched ever since Trump's first term failed to bring about the decline of trade deficit in goods, but rather continued rise. In addition, because of its inherent contradictions, the economic policies adopted by the Trump administration will lead to negative consequences for the United States, such as inflation hikes, stock market volatility and a decline in actual exports.

In the past few years, China has stayed steady and determined in the face of the coercive "tariff war" waged by the United States, demonstrating strong resilience in its foreign trade exports. Now and in the upcoming period, China needs to continuously reinforce its policy toolkit and properly take "asymmetric countermeasures" against the United States. As planned, China should continuously accelerate reforms at multiple fronts, promote diversified foreign trade, create a new pattern of opening up and build a more solid foundation for effectively responding to the U.S. containment strategy against China. ■