

How 'liberation day' tariffs will impact China

AFP, Beijing

US President Donald Trump has slapped punishing new tariffs on imports of Chinese goods, deepening a trade war between the world's two largest economies.

Beijing has vowed countermeasures in response and warned the new tariffs will cripple global supply chains – and Washington's own interests.

AFP looks at how so-called "liberation day" tariffs – which bring levies on Chinese goods to 54 percent – will hit China:

Why is China so vulnerable?

China's export-driven economy is particularly sensitive to vicissitudes in international trade. Trade between it and the United States, the world's two largest economies, is vast.

According to Beijing's customs data, sales of Chinese goods to the United States last year totalled more than \$500 billion – 16.4 percent of the country's exports.

US duties also threaten to harm China's fragile economic recovery as it struggles with a long-running debt crisis in the property sector and persistently low consumption – a downturn Beijing had sought to slow with broad fiscal stimulus last year.

But an intensified trade war will likely mean China cannot peg its hopes for strong economic growth this year on its

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exports, which reached record highs in 2024.

"The US tariffs on Chinese imports announced so far this year could fully negate the lift from the fiscal stimulus measures announced so far," Frederic Neumann, Chief Asia Economist at HSBC, told AFP.

And while he said the impact on export competition may be slightly mitigated by the fact that all countries are hit by the levies, he stressed "the drag on Chinese growth is nevertheless significant".

What impact will the new tariffs have? The new tariffs slap 10 percent levies on imports from around the world.

But China – whose yawning trade deficit with the United States of \$270.4 billion has long drawn Trump's ire – faces much higher levies.

The latest salvo adds 34 percent to a 20 percent rate imposed last month, bringing the total additional tariffs on imports from the Asian economic powerhouse imposed by the Trump administration to 54 percent.

The tariffs come into effect in stages – a ten percentage point bump on Thursday, followed by the full levy on April 9. China is also under sector-specific tariffs on steel, aluminium and car imports.

Analysts expect the new levies to take a significant chunk out of the country's GDP, which Beijing's leadership hope will grow five percent this year.

Julian Evans Pritchard, Head of China Economics at Capital Economics, said in a note he said he expected the economic hit to range from 0.5 percent to one percent of GDP.

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Workers are seen assembling a tractor on the factory floor of a tractor manufacturer in Qingzhou, east China's Shandong province. Reciprocal tariffs announced on Wednesday by the White House hit China with a hike of 34 percentage points, taking the fresh levies on exports from the People's Republic up 54 percentage points in the 10 weeks since the US president took office.

PHOTO: AFP/FILE

Trump kicks all of Asia into the China tariff boat



REUTERS, Hong Kong

Donald Trump's second trade war is a battle of one against all. Reciprocal tariffs announced on Wednesday by the White House hit China with a hike of 34 percentage points, taking the fresh levies on exports from the People's Republic up 54 percentage points in the 10 weeks since the US president took office. Nor did he spare those who tried to surrender rather than retaliate. Some countries are worse off than others, but Washington has put all of Asia in pretty much the same tariff boat.

Japan gets a 24 percent levy despite its role as America's geopolitical lynchpin in the region and massive foreign investment by giants like SoftBank; South Korea's many US Army bases did not help it avoid a 26 percent hit; and neither did Taiwan's vital role in supplying semiconductors for Silicon Valley titans, nor Taiwan Semiconductor Manufacturing's pledge to invest in American chip production, prevent a 32 percent hike.

The move also crushes the so-called China-plus-one strategy adopted by countries like Vietnam, now subject to tariffs that, at 46 percent, are almost on a level with the world's second-largest economy from which it had been re-exporting finished goods to US buyers. That will slam Chinese exporters which

had grown to rely on re-routing goods through Southeast Asia, and were investing in factories there, all the more.

It might create an opening for India, which wants to expand its manufacturing sector. The South Asian nation faces a smaller 27 percent tariff and its high barriers to Chinese investment may ultimately support its attractiveness as a low-cost base to supply the US, but most global companies are unlikely to flip their supply chains until they see more stability in trade policy.

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Optimists may hold out hope that partners can negotiate at least partial reversals before tariffs go into effect on April 9 or in the months afterwards. But US tariffs in the Trump era are extremely sticky, and the conditions laid out in the president's executive order requiring substantial capitulation on trade and security issues make successful negotiations much less likely.

All of this appears to play into China's hands as Beijing seeks to cement its rising role as both regional

hegemon and implacable supporter of free trade relative to Trump's America, a giant market that is almost impossible to replace. Yet Beijing's opposition to trade barriers goes hand in hand with its need to keep its vital exports sector humming to prevent surging unemployment and an even greater drag on sluggish growth.

The rest of Asia may now face an almighty flood of cheap Chinese foreign goods torpedoing local factories, and a hard choice about whether to throw up their own protectionist trade barriers. Major stock markets in the region fell on Thursday, led by a 3 percent fall in Japan's Topix, as investors digested the immediate and long term impacts. The harsh reality is that there is no safe harbour in Asia, and the storm has already arrived.

US President Donald Trump announced retaliatory tariffs on April 2 with a 10 percent baseline levy for all trading partners but singled out those with the largest trade imbalances for bigger hikes, including 34 percent for China, 32 percent for Taiwan, 24 percent for Japan and 46 percent for Vietnam.

Trump's executive order threatens higher tariffs on countries that retaliate and warns they could be increased if American manufacturing output worsens, though it also allows for possible lowering of tariffs if trading partners "take significant steps to remedy non-reciprocal trade arrangements and align sufficiently with the United States on economic and national security matters".

India eyes opportunity despite trade challenges

AFP, Mumbai

India on Thursday reacted cautiously to US President Donald Trump's sweeping tariffs with exporters saying the flat 27 percent on exports imposed on fifth-largest economy could have been far worse.

Indian stocks fell at the open of trading on Thursday, with the benchmark Nifty index trading nearly 0.3 percent down in morning trading.

Trump said that Indian Prime Minister Narendra Modi was a "great friend" but that he had not been "treating us right", speaking while unveiling the tariffs at the White House on Wednesday.

The Indian government has yet to comment publicly on the announcement, but exporters said they were disappointed and relieved in equal measure.

"The tariffs slapped on India are definitely both high and higher than expected, which will hurt demand for our exports," Ajay Sahai, director general of the Federation of Indian Export Organisations, told AFP. But Sahai also pointed out that India was hit with lower levies than regional manufacturing competition.

"Many countries which we compete with globally, including China, Indonesia, and Vietnam etc have been hit harder than us," he said.

"That opens up space for us to gain in terms of market share. But at the same time, if more countries retaliate and global trade gets hurt, this



People crowd a wholesale market in Bengaluru, India.

PHOTO: AFP/FILE

isn't good for anyone."

India's pharmaceutical sector, which exported more than \$8 billion of products to the United States in the 2024 fiscal year, also emerged unscathed – with drugs exempt from its reciprocal tariff move.

Indian Pharmaceutical Alliance secretary general Sudarshan Jain said that showed "the critical role of cost-effective, life-saving generic medicines in public health, economic stability, and national security".

The Nifty Pharma index was up over 2.5 percent in morning trading. New Delhi is also in the process of negotiating the first tranche of a bilateral trade agreement with Washington.

Experts say that India's future policy responses should also take into account China's next steps.

In the run-up to Trump's "Liberation Day" announcement, India sought to reduce trade tensions with Washington by cutting tariffs on some products including high-end motorcycles and whisky. "Asia has been hit much more than India on tariffs," Madhavi Arora, chief economist at Emkay Global Financial Services, said.

"China's survival response to the massive tariff blow will matter for India, amid its excess industrial capacity and dumping in the world/Asian markets."

But Global Trade Research Initiative, a New Delhi-based think tank, said the tariff shakeup "presents an opportunity for India to strengthen its position in global trade and manufacturing".

It added that India had been handed a "competitive advantage" in several key sectors, highlighting textiles and garments with high tariffs slapped on Chinese and Bangladeshi rivals.

US tariff war: Implications and strategies for Bangladesh



ZAHID HUSSAIN

On April 2, 2025, US President Trump introduced sweeping reciprocal tariffs, effectively reversing nearly all US tariff liberalisation since the Great Depression of the 1930s.

The average US tariff surged from 2.5 percent to 20 percent with a single executive action. This move signals the onset of a global tariff war reminiscent of the Smoot-Hawley Tariff of 1930, which imposed a 20 percent duty on 20,000 imported items.

While its intention was to protect

American farmers and businesses, it had unintended consequences that exacerbated the Great Depression. The act led to retaliatory tariffs from other countries, significantly reducing international trade by 67 percent between 1929 and 1934.

Reciprocal tariffs set US tariff rates to match the highest levels imposed on American exports, with potential reductions contingent on meeting specific demands.

President Trump justifies this policy as a measure to protect US industries and correct trade imbalances, asserting that the US has been unfairly treated by other nations. Viewing trade as a zero-sum game, he argues that lower import tariffs compared to export tariffs disadvantage the US. Rejecting free trade agreements, his goal is to realign trade dynamics in favour of the United States.

An overview of the new tariff regime

Bangladesh now faces a 37



PHOTO: REUTERS/FILE

percent reciprocal tariff. In 2023, Bangladeshi imports to the US were subject to an average tariff of 15.7 percent, generating \$1.02 billion in customs duties on \$8.28 billion worth of goods.

Tariffs play a significant role in

Bangladesh's trade policy and revenue generation, with an average applied MFN tariff of 14.8 percent. Agricultural products face higher protection at 18.1 percent, compared to 14.1 percent for non-agricultural goods.

Textiles and apparel, already

burdened by some of the highest US tariffs, continue to face challenges. Pew Research highlights the disproportionately high taxes on clothing and footwear imports from Bangladesh in the US. Despite this, Bangladesh is subject to reciprocal tariffs due to USTR estimates that the combined tariff, para-tariff, and tariff equivalent of non-tariff barriers against US imports into Bangladesh is 74 percent.

President Trump claims to be generous by offering a "kind reciprocal tariff discount" of 50 percent to all countries, including Bangladesh.

Amidst this drastic shift in US trade policy, there is a silver lining: competitors face similar or even higher reciprocal tariffs.

For example, Vietnam is subject to 46 percent, India 26 percent, Cambodia 49 percent, Sri Lanka 44 percent, Thailand 36 percent, Pakistan 29 percent, Myanmar 44 percent, Laos 48 percent, China 34

percent, and Indonesia 32 percent. India's 26 percent and Pakistan's 29 percent are not too far behind. This suggests that Bangladesh's competitiveness relative to its rivals remains largely unchanged.

However, this offers little comfort in the face of a potential global demand contraction triggered by the Trump tariffs. If tit-for-tat dynamics escalate, it remains uncertain whether Trump will reverse course, as he did earlier this year with Canada, Mexico, and China.

What should Bangladesh do?

The immediate priority is damage control, as the reciprocal tariffs are already in effect, with no time allowed for a smooth transition. Even goods currently en route to the US will be subject to the new tariffs, raising the critical question: Who will bear the cost?

Our strategy should aim to shift the tariff burden onto buyers. A key advantage is that buyers have

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