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China: Beijing further raises the stakes in its retaliatory measures

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Following further escalation from the Trump administration, which saw the US increase its “reciprocal” tariffs on China to 84% from 34%, Beijing today announced another set of countermeasures. Primarily, Beijing imposed full reciprocal retaliatory tariffs of 50% on top of *the previously announced 34%*, precisely matching the new US tariff on China. This is fully in line with *our expectations*. In addition, Beijing added another twelve US entities to its *Export Control List* , while six more US firms were placed on the *Unreliable Entity List* , demonstrating its firm resolve and unwavering determination to retaliate in kind.

In our view, the US and China are locked in an unprecedented and costly game of brinkmanship, where neither side has displayed any willingness to back down. Tensions could rise further in the very near future, and developments are clearly progressing in the direction *we have been flagging since late February*. In the immediate future, we expect Beijing to prioritise stabilising the domestic financial markets, and it is also likely to expedite the implementation of certain planned supportive measures. Premier Li Qiang chaired a symposium today with economic experts and entrepreneurs, where he unveiled that it is necessary to implement more proactive macroeconomic policies and introduce new incremental policies in a timely manner in light of the needs of the situation – external shocks.

Beijing retaliated decisively, again

This evening, the Customs Tariff Commission of the State Council announced that Beijing will fully mirror the latest US tariff increases, raising the originally planned retaliatory tariffs on the US to 84% from 34%, with the effective time remaining unchanged at 12:01 on 10 April 2025. Following Trump’s threat of an additional 50% tariff on 7 April and the Ministry of Commerce (MOFCOM)’s strongly worded response yesterday morning, we highlighted in our above-mentioned report yesterday that “In our view, [the MOFCOM response] serves as a clear indication that Beijing will not only stand firm on the 34% tariffs but is also likely to retaliate commensurately, should Trump proceed with the newly proposed 50% tariffs.” Accordingly, Beijing’s latest action has fully matched our expectations. Early today, the 84% additional US tariffs went into effect.

Near-term focus is likely on stabilising the domestic financial markets

As we noted yesterday, the initial battleground of the tariff war is the financial markets, particularly the stock market. The financial markets of both the US and China have already suffered significantly, and the worst may yet to come. Beijing has made considerable efforts in this regard, and, as we expected, China’s stabilisation funds – known as the “national teams” – supported by the PBoC, have intervened substantially in the domestic stock market over the past two days. The National Financial Regulatory Administration also issued a new directive yesterday, guiding insurance companies to increase their exposure to equity markets. Moreover, numerous listed state-owned enterprises (SOEs) have announced share buybacks since yesterday, suggesting a clearly coordinated effort to stabilise the stock markets. Today, we have also seen substantial southbound flow via Hong Kong Stock Connect, indicating possible stabilisation efforts for offshore equity market too.

On the currency front, the PBoC has maintained a firm stance on the renminbi (RMB) exchange rate, despite the unprecedented and substantial tariff increases from Washington. We remain of the view that Beijing is unlikely to permit a significant depreciation of the RMB, as we saw during the 2018-19 trade war, let alone a major one-off devaluation, consistent with our long-standing position on the matter *since September last year*.

Twelve more US entities added to Beijing’s Export Control List

As part of the retaliation package, the MOFCOM unveiled the addition of twelve US

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entities to its *Export Control List* – prohibiting the export of dual-use items with both civilian and military applications to these organisations. These entities predominantly operate within advanced technology and defence-related fields, including photonics, radar systems, unmanned aerial vehicles, and tactical communications – sectors critical to military innovation. The targeted firms specialise in technologies such as high-precision optics, drone manufacturing, and secure communication systems, all of which hold significant potential for enhancing surveillance and combat capabilities. Beijing's decision to impose these controls appears driven by a desire to curb US access to such strategically vital technologies, particularly amid concerns over the US's deployment in sensitive regions like those near Taiwan. By focusing on these specialised industries, China aims to disrupt US supply chains, bolster its own national security, and intensify the ongoing technological rivalry between the two nations.

Six more US firms added to the Unreliable Entity List

Moreover, the MOFCOM added six American entities to its *Unreliable Entity List* (UEL). Established in 2019, the UEL targets foreign bodies perceived as threats to China's national interests, banning them from import and export dealings with China and halting new investments within its territory. The affected entities primarily operate in defence and cutting-edge technology sectors, focusing on innovations like AI-powered drones, aerospace engineering, and laser systems, all of which carry significant military potential. Beijing's actions likely stem from concerns over these technologies enhancing US military strength or supporting policies related to Taiwan – a long-standing point of contention. Amid recent US tariff increases, this step clearly underscores China's retaliatory intent.

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