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## What's Been Happening

### 1 — Trump's Trade War Continued: Steel and Aluminum Tariffs Lead a Fresh Salvo — 1

#### [In One Sentence]

- The White House announced that no exemptions or delays would be applied to the national security tariffs under Section 232 of the Trade Expansion Act of 1962, initiated by President Trump last month for steel and aluminum, which took effect as scheduled on the morning of March 12.
- President Trump announced on March 11 that, in response to Ontario's surcharge on electricity exports to the U.S., Canadian steel and aluminum imports would face 50 percent tariffs — double the 25 percent duties planned for all other trading partners.
- President Trump vowed to respond to the various retaliatory measures implemented by the European Union in reaction to his 25 percent tariffs on steel and aluminum imports, including imposing a 200% tariff on wine, champagne and spirits if the EU went forward with a planned 50% tariff on American whiskey.
- Canada announced that it would impose 25% reciprocal tariffs on U.S. steel products and raise taxes on a range of goods, while the European Union announced that it would increase tariffs on American beef, poultry, bourbon, motorcycles, peanut butter, and jeans.

#### [Mark the Essentials]

- The new tariffs severely impact a broad range of industries, particularly businesses that have been operating under NAFTA/USMCA rules, while also potentially complicating future negotiations over the USMCA that are due in 2026.
- Trump's new tariffs on foreign steel and aluminum products is expected to increase costs for American downstream users that rely on these metals, including automakers, construction firms, and beverage producers that use cans.
- In response to the U.S.' steel and aluminum tariffs, the European Union has requested consultations with the U.S. at the World Trade Organization (WTO), framing the U.S. action as a safeguard measure and arguing that the U.S. failed to properly notify the WTO Committee on Safeguards about its new measures.
- The WTO has noted that while global merchandise trade ended 2024 on a strong note, the potential for new tariffs and rising trade policy uncertainty could hinder growth in the near and medium term.

- A day after granting Canada a one-month reprieve from sweeping 25% tariffs, President Donald Trump threatened additional tariffs on Canadian dairy products and lumber, including opening a Section 232 national security investigation into lumber and derivative products, asserting that the U.S. “would match [Canada’s] tariffs dollar-for-dollar.”

### [Keeping an Eye On...]

- It should have come as a surprise to nobody that at the appointed hour on March 12<sup>th</sup>, the Trump administration would begin levying an additional 25% tariff on steel and aluminum imports without exception. And so it did. This should have been especially clear to allies and close partners of the U.S., which are the biggest exporters of these metals to the U.S. The EU, Canada, Mexico and South Korea provide two-thirds of the U.S.’ steel imports, and Canada and the EU provide three-fifths of its aluminum imports. In its February 11<sup>th</sup> fact sheet accompanying the Executive Order authorizing the Section 232 national security steel and aluminum tariffs, the administration had plainly noted that the past exemptions received by Argentina, Australia, Brazil, Canada, Japan, Mexico, South Korea, the EU, Ukraine and the UK from the initial Section 232 tariffs had been the cause of the tariffs’ relative ineffectiveness - leading to a steady decline in the domestic industry’s capacity utilization ratios since 2019. This time around, no country would be spared. To compound matters, the tariffs also apply to 253 derivative goods (nuts, bolts, etc.) beyond just raw steel and aluminum imports, and in this instance China will be impacted too. It accounts for 28% of steel derivatives imports and 21% of aluminum derivatives imports into the U.S. To be clear, there is no valid economic or legal justification to impose the tariffs on national security grounds. The acquisition of domestic steel in quantities necessary to meet U.S. national defense requirements remains entirely unimpacted. And given that the relationship between the U.S. military’s needs and the U.S. industries’ ability to meet those needs had been the express purpose of the Section 232 statute at the time of its legislative passage in 1962, the legal basis for the tariffs’ application is just as unfounded. Oh, and of course the tariffs blatantly flout multilateral trade law. For those allies and partners inclined to hope that, come April 2, they will somehow obtain exemptions from the impending 25% auto tariffs, well, they should think again. These tariffs will once again disproportionately impact allies and partner countries (Canada, Mexico, EU, Japan and Korea), just like the metals tariffs. Since May 2019, Donald Trump has nursed a desire to implement steep, universal tariffs on passenger vehicles, light trucks and auto parts (engine and engine parts, transmission and powertrain parts, and electrical components) to accelerate the ‘reshoring’ of the auto industry. He is determined to get his way this time around.

Now, consider the case of U.S. ally, Japan, and its (now-deceased) ex-Prime Minister Shinzo Abe – supposedly the famous ‘Trump whisperer’. Under threat of imposition of steep tariffs on Japanese auto exports, Mr. Abe scurried to Washington to offer a U.S.-Japan Trade Agreement, which entered into force in January 2020. In the trade agreement, the prime minister ended up conceding CPTTP equivalent market access terms to U.S. agricultural goods – which, in effect, made it even less likely that the U.S. would ever have any interest in joining the TPP/CPTTP agreement, a key Abe priority at the time, that Trump had walked out from on his first day in office in 2017 (Washington already had FTA’s with the other main CPTTP countries and the express purpose of the TPP negotiations was essentially to obtain free trade access to Japan’s agricultural goods market). Having happily swallowed this free lunch during Trump 1.0 under the threat of auto tariffs for little in exchange, Trump 2.0 will impose the same auto tariff on Japan

now, once again. That Japan was the largest overseas investor in U.S. domestic manufacturing for five years running until last year matters not a whit – the tariff will be imposed come what may. So, how many times over and counting has Japan lost now? Call it a case of having to buy the same horse twice. And hand over your cart too.

### [Expanded Reading]

- [Canada and the EU swiftly retaliate against Trump’s steel and aluminum tariffs](#), *AP News*, March 13, 2025
- [Trump threatens to put 200% tariff on French Champagne and other EU spirits](#), *CNBC*, March 13, 2025
- [US factories likely to feel the pain from Trump’s steel and aluminum tariffs](#), *AP News*, March 12, 2025
- [EU’s Reaction to New U.S. Tariffs on Steel and Aluminum](#), *Global Policy Watch*, March 12, 2025
- [Trump halts doubling of tariffs on Canadian metals after Ontario suspends electricity price hikes](#), *AP News*, March 12, 2025

## 2 — China Vows to Fight Trump Tariffs While Still Open to Talks — 2

### [In One Sentence]

- China strongly opposed President Trump’s tariffs, vowing to "fight till the end" with retaliation and tech self-reliance and, in turn, hoping to project self-confidence.
- Amid escalating US-China trade tensions, early discussions are underway for a potential Trump-Xi summit in June 2025, though plans remain tentative.
- China's 2025 response to Trump's tariffs has evolved from its 2018-19 approach, featuring heightened preparedness, swift retaliation, economic diversification, and assertive diplomacy to strengthen resilience against external pressures.
- At the ‘Two Sessions’ Meeting earlier this month in Beijing, the top leadership doubled-down on its ‘new quality productive forces’-led shift to a high quality growth model featuring advanced manufacturing and consumption and services-led growth.
- China has invited global CEOs for a potential meeting with President Xi Jinping following this month’s China Development Forum in Beijing to project its openness and boost foreign inward investment.

### [Mark the Essentials]

- China’s Commerce Minister Wang Wentao cockily noted at a press conference following the Two Sessions meeting that if the U.S. goes down the wrong path (of imposing tariffs and other sanctions), China will accompany the U.S. to the very end.
- Trump was also known to be eyeing an April visit to Beijing for high-stakes trade negotiations, although that visit to Beijing seems to have fallen through.
- China has likened the U.S. policy in the trade war as a containment effort, prompting an emphasis on domestic innovation, economic fortification, and proactive global engagement to sustain China's developmental trajectory.
- The National People’s Congress (NPC) introduced a comprehensive strategy emphasizing technological self-reliance, economic resilience and diplomatic assertiveness to mitigate the impact of trade tensions and export controls.
- The State Council, meanwhile, has decreed new rules on the handling of foreign-related intellectual property disputes, which authorize “countermeasures” against “discriminatory restrictive measures” that are used as “an excuse to contain or suppress” China.

### [Keeping an Eye On...]

- So, will Donald Trump and Xi Jinping nuzzle up to each other and discuss bilateral ties over slices of birthday cakes this June? Or meet even earlier perhaps within Trump's first 100 days to renew their 'beautiful' friendship? Whenever and wherever they do ultimately meet, and at this time there is no fix on an appointed date, the American president will find a very different counterpart from Trump 1.0 – one more familiar with his *modus operandi* and hence better prepped to deal with his disruptive ways. China's plan of action, at this time, for dealing with Trump 2.0 can basically be chalked down to four strategies. First, radiate calm and resolve, and certainly do not project weakness and anxiety to the counterpart. Bracing for chaos, responding with calm, reinvigorating reform, and prioritizing the economy has been the consistent refrain from Beijing ever since Trump's inauguration. Second, bide time to fully understand Trump 2.0's 'asking price'. The Trump administration is barely two months old and coercive economic policies keep dropping by the day. Regarding China, a slew of contemplated measures is hurtling down the turnpike and could be announced as early as April 2<sup>nd</sup> (in addition to the 20% fentanyl-related tariffs already imposed). With much in flux and without a fuller picture of the universe of anti-China measures, it makes little sense to be in a hurry to transact with the Trump team. Premature attempts during Trump 1.0 to lock down modest win-win bargains (in April 2017 as well as May 2018) failed to be consummated, given disunity in the administration which led to perennial goalpost-shifting during negotiations. Ultimately, once the administration has settled on its planned coercive anti-China measures, the U.S.' asking price can be sought at the negotiating table and matters (hopefully) managed from that point on. China is keen to know the asking price but is in no haste to find it out though.

Third, that China is in no hurry to transact with the administration does not mean that it is not open to engaging in good faith on Trump's China priorities. Setting a good tone, particularly at the leader's level, is seen as good politics. And stoking Trump's vanity on stable major power relations without ceding substantive ground is seen as good diplomacy. A little matter called Taiwan needs to be discussed too. Besides, Donald Trump is personally seen as being neither pro-China nor anti-China; as a lifelong dealmaker, he is viewed rather as wanting to be tough on China in pursuit of transactional gains that benefit the U.S. people. At Davos in January, Trump had laid out three 'asks' of China: fairness in the economic relationship, especially on the bilateral trade deficit front; assistance to the U.S. to stop the Russia-Ukraine conflict; and negotiated reductions on nuclear armaments (likely in a trilateral US-Russia-China format). On each of the three 'asks', a willingness to engage was telegraphed. At the end of the day, the underlying objective of engaging Trump on his initial asks is not so much to obtain quick 'win-win' bargains or some sort of 'early harvest' plan as much as it is to begin laying the ground to institutionalize the bilateral engagements within dialogue frameworks. At Mar-a-Lago in April 2017, Trump and Xi had established four high-level dialogue mechanisms in the area of diplomacy and security, economy, law enforcement and cybersecurity, and social and people-to-people exchanges. The aim is to once again lock down the administration in working group formats to endow greater stability and predictability to ties.

- Finally, be ready to retaliate immediately and assuredly but in measured proportion. Trump is no longer an unknown quantity in Beijing. While he has many 'beautiful' things to say about China and Mr. Xi from time-to-time, the measure of the man will be in his administration's actions, not his words. The days of

swallowing sweet talk from Mr. Trump and punitive actions from his administration are over. And China is not about to turn its cheek or stay its actions in the hope or anticipation of obtaining relief from Trump directly in the course of one-on-one conversations with Xi. But given the torrent of coercive U.S. measures in the pipeline, China also needs to husband its countermeasures to realize maximum effect. Retaliation, as such, will be immediate, assured and wide-ranging, but in measured quantities. The Chinese countermeasures announced on March 4<sup>th</sup> in response to the additional 20% fentanyl-linked tariffs announced on March 3<sup>rd</sup> offer an early glimpse of this scheme of response. They include both tariffs and a range of non-tariff countermeasures, which arrived within a one minute of the U.S.' tariffs taking effect. Beijing would much have preferred to deal with a Harris presidency – it would handily have been the “lesser of two evils.” That said, there is no point crying over spilt milk. While it hopes for the best, it is bracing for much worse from Trump 2.0. That said, China has a national interest imperative in striking up the ‘least worst’ relationship with the U.S. so as to preserve and pursue its national modernization goals. Attempting, at least, to lock down the bilateral relationship on a more stable and predictable path is a worthy endeavor, in Beijing’s view.

### [Expanded Reading]

- [China's Xi May Visit US In Not-Too-Distant Future, Trump Says](#), *Reuters*, March 17, 2025
- [Trump Has Begun Another Trade War. Here's A Timeline Of How We Got Here](#), *AP News*, March 12, 2025
- [Hong Kong Stocks Hit 3-year High On Hopes Trump-Xi Talks Could Ease Trade Tensions](#), *South China Morning Post*, March 18, 2025
- [Trump Says China's Xi Coming To US Amid Tense Trade War](#), *Newseek*, March 17, 2025
- [China Outlines Plans To Boost Consumer Spending As Trump's Tariff War Threatens Exports](#), *AP News*, March 17, 2025
- [China Leans Into Trade War](#), *Foreign Policy*, March 11, 2025
- [The Hidden Cost Of Trump's Trade War On China](#), *The New York Times*, March 18, 2025

## On the Hill



### [Legislative Developments]

- Sens. Cassidy (R-LA) and Cortez Masto (D-NV) have proposed a *Customs Facilitation Act of 2025* that would modernize U.S. customs procedures by simplifying data requirements and processes to enhance trade efficiency.
- Senators cutting across party lines have proposed a bill to assess critical mineral supply chains, reduce dependence on China, and aid U.S. companies' foreign divestment from that country.
- Sen. Alsbrooks (D-MD) introduced the *Tariff Transparency Act* which directs the U.S. International Trade Commission (USITC) to investigate the impact of Trump's tariffs on Canada and Mexico.
- GOP funding measures have been purposed to block Democrats' resolutions to end Trump's emergency tariffs on Canada and Mexico, sparking criticisms of political maneuvering.
- The House advanced two bills addressing China's threats, one creating a Department of Homeland Security (DHS) working group to counter Chinese threats and another restricting battery procurement from CCP-linked companies.

- A bipartisan House bill has been reintroduced to create a Justice Department task force to investigate and prosecute "trade crimes," primarily targeting China's evasion of U.S. trade laws.

#### [Hearings and Statements]

- Democrats have criticized Trump's tariffs on key trade partners, citing economic uncertainty and potential harm to U.S. businesses and agriculture.
- The House China Committee has urged for a Section 301 probe into tariff evasion and the reintroduction of a trade enforcement bill.

#### [Expanded Reading]

- [Chinese Battery Makers Face Restrictions in House-Passed Bill](#), *Bloomberg*, March 11, 2025
- [Hinson Reintroduces Bipartisan, Bicameral Bill to Crack Down on CCP's Trade Violations that Hurt American Workers](#), Office of Congresswomen Ashley Hinson, March 7, 2025
- [Republicans Quietly Cede Power to Cancel Trump's Tariffs, Avoiding a Tough Vote](#), *New York Times*, March 11, 2025
- [Cassidy, Cortez Masto Introduce Legislation to Modernize Trade Facilitation](#), Office of Senator Bill Cassidy, March 12, 2025