

How China Could Outsmart Donald Trump on Tariffs

Published Apr 11, 2025 at 7:07 AM EDT

Donald Trump Sends Warning to China Over Tariff Trade War

01:34

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President [Donald Trump](#)'s ever-expanding tariffs on Chinese goods face a significant obstacle that could undermine their intended punitive or persuasive impact on the world's second-largest economy.

On Thursday, in response to the country's continued refusal to rescind its own retaliatory tariffs, Trump and the White House confirmed that the total rate of duties now [applied to Chinese imports had reached 145 percent](#).

However, Chinese producers and the broader economy have for years been adjusting their trading practices in ways that may blunt the full impact of this move, while potentially weakening America's leverage in the escalating trade war.



How China Could Outsmart Donald Trump on Tariffs **PHOTO-ILLUSTRATION BY NEWSWEEK/GETTY**

The *Financial Times* on Thursday reported that a Temu seller based in the port city of Guangzhou had been building factories overseas, in countries such as Jordan, where the finishing touches were put on products before these were shipped to the U.S.

By altering the goods' "country of origin" in this way, the seller said that they would be able to avoid the duties on Chinese imports.

Experts told *Newsweek* that this strategy is neither new nor limited to independent exporters; rather, it is being implemented on a national scale with the collaboration of other countries.

"There is quite a bit of, shall we say, ingenuity in China's export practices," Nicholas Lardy, an expert in Chinese economic and trade policy, told *Newsweek*.

"They'll get some Jordanian to be the front guy, and the company that ships to the U.S. is going to sound like a Jordanian company, even though it may be owned 100 percent by a Chinese company."

"In recent years, a growing number of Chinese companies have invested and set up operations in third countries, many seeking ways to avoid U.S. tariffs," said Wendy Cutler, vice president of the Asia Society Policy Institute and a former U.S. trade negotiator. "Vietnam has been one of the favorite destinations of Chinese companies, contributing to Vietnam's large and growing trade deficit with the United States."

Lardy said that this was the reason Trump's tariffs on China during his first administration did not reduce the country's exports as much as was hoped or expected, and why the administration has expanded the scope this time around.

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"Vietnam is essentially a colony of communist China," Trump's senior trade counselor [Peter Navarro](#) told [Fox News](#) on Sunday. "China uses Vietnam to transship to evade the tariffs."



White House Senior Counselor for Trade and Manufacturing Peter Navarro is seen in the Oval Office at the White House March 26, 2025. **FRANCIS CHUNG/POLITICO VIA AP IMAGES**

Calling Vietnam the "poster child for nontariff cheating," Navarro explained that this was one of the reasons the country had been subject to a 46 percent reciprocal tariff, and why even if it reduced its own duties on American imports, the U.S. would [refuse to negotiate with Vietnam](#) on trade.

Negotiations between the two countries have kicked off, however, Vietnam [expressing its intention to secure a "reciprocal" trade deal](#) during the 90-day pause placed on the tariffs.

Political scientist and China specialist Scott Kennedy told *Newsweek* that this practice of expanding investment in production facilities overseas had been going on for over a decade, and "is definitely not illegal and is not typically treated as 'circumvention' in the traditional sense."

However, he said that the U.S. is nevertheless concerned about Chinese companies operating in Vietnam or any other third country, and had made efforts to close these mercantile loopholes.

"The previous strategy China employed of routing its exports to the U.S. through other countries or exploiting de minimis exemptions to tariffs are both being shut down by the Trump administration," said Eswar Prasad senior professor in trade policy at Cornell.

In early April, Trump signed an executive order eliminating the "de minimis" tariff exemption for goods valued under \$800. Kennedy said there is also growing pressure to alter "rules of origin"—applying tariffs based on producer ownership rather than the last location of the product before its shipment to the U.S.

However, he said that implementing such anti-circumvention measures would be extremely challenging, primarily due to the immense volume of packages customs authorities must process daily. The White House estimates that U.S. Customs and Border Protection processes over four million of these "de minimis" packages per day.

"There are millions of these packages coming in every day," said Nicholas Lardy. "And the customs services doesn't have the manpower to assess them and charge a tariff. So, you know, after two days, they have to give it up."

"There's no way that customs can investigate the ownership of millions of companies every day," he added. "So it's whack-a-mole."



A container ship is docked at Kwai Chung Container terminal in Hong Kong on April 10, 2025. **PETER PARKS/AFP VIA GETTY IMAGES**

Despite other countries [welcoming the 90-day pause](#) and expressing their desire to negotiate with the U.S. as soon as possible, China has refused to bend, promising to fight ["till the end"](#) while expanding its own set of retaliatory measures.

"China has attempted to face escalating U.S. tariffs with bravado, retaliating with its own tariffs on U.S. imports and other measures meant to inflict pain on the U.S economy," Eswar Prasad told *Newsweek*. However, he said that there is a limit to how far China can take this tit-for-tat with the U.S. given the weakness of its own economy.

During a recent appearance on CNBC Squawk Box, Treasury Secretary [Scott Bessent](#) made a similar point, arguing that China would fare much worse in a trade war of attrition with the U.S, given the countries' import-export imbalance.

"What do we lose by the Chinese raising tariffs on us?" Bessent said. "We export one-fifth to them of what they export to us, so that is a losing hand for them."

"If tariffs were the only tool, obviously, the U.S. would have more leverage given the nature of the imbalance in the trade relationship," said Nicholas Lardy. "But there are a lot of other mechanisms China can use."

Lardy pointed to the raising of export controls on its monopolistic supply of rare earths, as [the country did last week](#), or launching investigations into American companies operating within the country, [as it did](#) with [Google](#) last month, as examples of the additional "levers" China would be able to pull.

He added that the country's political and economic structure means it may be able to stomach the effects of a trade war better than the U.S, which would face democratic "consumer pushback" should any negative impact be felt by ordinary citizens.

"The Chinese pension system does not depend on the state of the Chinese domestic stock market," he said. "So you don't have popular pressure against this trade war."

"In the U.S. as markets collapsed, a lot of people were panicking about the decline in the value of their 401(k), consumer confidence was collapsing, consumption was going down, making it more likely that we'd be going into a recession," he added. "China doesn't have that threat, people aren't worried about that. They don't have 401ks."