China Expands Retaliation: Export Controls, Blacklists, and Tariff Escalation Target U.S. Firms

April 10, 2025

Following the Trump administration's April 10 decision to raise tariffs on Chinese imports to 145%—while simultaneously granting a 90-day pause on most tariff hikes for other trading partners—Beijing has issued a coordinated and escalating series of countermeasures. The U.S. decision effectively isolates China, and Beijing's latest steps appear aimed at signaling both resolve and retaliation in response.

China's new measures include a steep increase in tariffs on U.S. goods to 84%, the expansion of the Unreliable Entity List, and the imposition of export controls on 12 additional American firms operating in sectors tied to defense, aerospace, and dual-use technologies.

This marks the latest exchange in a fast-intensifying trade conflict between the world's two largest economies. While China's actions have thus far mirrored U.S. moves rather than preempted them, the scope and timing of its response reflect a growing willingness to deploy regulatory and legal tools to assert economic sovereignty. Officials in Beijing continue to describe their approach as proportionate and rules-based, even as they concentrate efforts on firms linked to U.S. national security policy.

This note focuses on the latest set of Chinese responses. For a summary of China's initial round of countermeasures issued earlier this month, please see our prior note.

The sections that follow break down each new measure in detail, examine how Chinese authorities may respond next, and assess how businesses should prepare for further disruption.

China's Latest Retaliatory Measures

Tariff Hike on U.S. Goods to 84%

China's State Council Tariff Commission issued Notice No. 5 of 2025, raising tariffs on all U.S.-origin imports from 34% to 84%, which went into effect on April 10 at 12:01 p.m. Beijing time. The announcement casts the move as a direct and proportionate response to the Trump administration's April 8 tariff escalation.

According to the commission, the U.S. measure "seriously violates China's legitimate rights and interests" and "severely damages the multilateral trade system based on rules." The notice cites China's Customs Law, Foreign Trade Law and general principles of international law as the legal basis for its decision.

This action supersedes the previous notice, which had set the tariff rate at 34% in response to the earlier "Liberation Day" tariffs. While the new notice does not provide a grace period or address bonded zone carveouts, it confirms continuity with previous procedural enforcement.

Six U.S. Firms Added to Unreliable Entity List

China's Unreliable Entity List Mechanism, administered by the Ministry of Commerce (MOFCOM), issued Notice No. 8 of 2025, adding six American firms to the list on April 9. The announcement cites violations of national sovereignty, security, and development interests, drawing authority from China's Foreign Trade Law, National Security Law, and Anti-Foreign Sanctions Law.

The named firms are:

1. **Shield AI, Inc.**
2. **Sierra Nevada Corporation**
3. **Cyberlux Corporation**
4. **Edge Autonomy Operations LLC**
5. **Group W**
6. **Hudson Technologies Co.**

These companies face the following restrictions:

- Prohibition from engaging in any import or export activities related to China;
- Prohibition on making new investments within Chinese territory.

Twelve U.S. Companies Designated on Export Control List

In a separate order, MOFCOM issued Notice No. 22 of 2025, adding 12 U.S. companies to China's Export Control List. The measure took effect on April 10 at 12:01 p.m. Beijing time, under the authority of the Export Control Law and the Dual-Use Item Export Control Regulations.

The newly listed firms are:

1. **American Photonics**
2. **Novotech, Inc.**
3. **Echodyne**
4. **Marvin Engineering Company, Inc.**
5. **Exovera**
6. **Teledyne Brown Engineering, Inc.**
7. **BRINC Drones, Inc.**
8. **SYNEXXUS, Inc.**
9. **Firestorm Labs, Inc.**
10. **Kratos Unmanned Aerial Systems, Inc.**
11. **Domo Tactical Communications**
12. **Insitu, Inc.**

Effective restrictions include:

- A blanket ban on exporting any dual-use items to the listed entities;
- An immediate halt to ongoing export activities involving these firms.

Exporters seeking exemptions must file a case-specific application with MOFCOM under "exceptional circumstances." The notice frames the action as necessary to preserve national security and fulfill China's international nonproliferation obligations. The dual-use designation applies to technologies and goods that have both civilian and military applications.

China Files Additional WTO Complaint Against U.S. Tariff Hike

On April 9, Beijing time, MOFCOM confirmed the filing of a supplementary case at the World Trade Organization (WTO) Dispute Settlement Body in response to the United States' April 8 decision to impose an additional 50% tariff on certain Chinese products. The new filing supplements earlier proceedings initiated under the WTO framework and invokes China's right to challenge what it characterizes as escalating unilateral trade actions.

The Ministry's spokesperson, responding to a reporter's inquiry, described the U.S. measure as a "further violation of WTO rules." The statement accuses the U.S. of intensifying an already discriminatory regime under the pretext of "reciprocal tariffs," while portraying the 50% tariff hike as emblematic of "unilateral bullying."

No details regarding the product scope or value of trade covered by the additional complaint were disclosed in the Ministry's announcement. However, the spokesperson reiterated China's commitment to defending its lawful rights through multilateral mechanisms and to upholding what it called the "rules-based international economic and trade order."

China Signals Reduction in U.S. Film Imports

The China Film Administration on April 10 responded to questions about whether the latest U.S. tariff hikes might affect American movie imports, suggesting a possible shift in policy without announcing formal measures.

In a statement, a spokesperson said the U.S. government's "erroneous" tariff escalation was undermining the popularity of American films among Chinese audiences. As a result, China would "respect audience preferences" and "moderately reduce" U.S. film imports in line with market principles. While reaffirming China's commitment to openness, the spokesperson emphasized a continued focus on bringing in acclaimed films from other international markets to meet growing domestic demand.

Strategic Outlook: Potential Next Steps by Beijing

Potential Measure	Description
Incremental additions to Unreliable Entity and Export Control Lists	China may continue to expand its retaliatory toolkit by targeting additional U.S. firms, particularly those in niche or dual-use sectors. These moves would likely echo U.S. actions, serving more as political signaling than broad-based disruption. So far, Beijing has avoided sweeping measures that could undermine its message of continued openness to foreign investment.
Increased regulatory friction for U.S. firms operating in China	Regulatory tools—such as antitrust probes, cybersecurity reviews, or customs inspections—could be selectively used to raise operational risks for American firms. These actions may be couched as routine or technical enforcement, allowing Beijing to dial up pressure without formally violating trade commitments or undermining business confidence.
Tighter export restrictions on critical inputs like rare earths or dual-use tech	While China has so far avoided heavy-handed controls on rare earths or advanced components, that option remains on the table. Any move here would be calculated to impact specific U.S. sectors—like defense or clean tech—while minimizing global blowback or damage to China's own producers.
Informal pressure on U.S. brands through regulatory or public channels	Chinese regulators may limit the visibility of U.S. consumer brands through subtler means—such as slowing approvals, restricting ad space, or promoting domestic alternatives. Public sentiment and media framing could be used to soften U.S. market positioning without direct bans.

Potential Measure	Description
Delays or denials in cultural and media market access	As already demonstrated with recent actions, authorities could further tighten controls on U.S. films, entertainment, or digital platforms by reducing import approvals or citing shifting audience preferences.
Measured currency management	While a sharp yuan devaluation appears unlikely, policymakers may tolerate greater currency flexibility to ease pressure on exporters. A repeat of 2019-style depreciation would risk capital flight and regional contagion, but it remains a possible lever in the event of prolonged deadlock.
Deepening trade and investment ties with the Global South	As U.S. pressure mounts, China is expected to lean more heavily on its Belt and Road partners and regional trading blocs. However, fears of Chinese industrial overcapacity and dumping may limit how far countries are willing to open their markets in return.
Back-channel diplomacy, not direct negotiation	Xi Jinping is expected to resist direct engagement with President Trump until a detailed framework deal is in place. This increases the likelihood of a slow-moving negotiation process that could drag out well into 2025. In the meantime, both sides appear to believe they can outlast the other.

Implications and Recommendations for Business

With tariffs on some Chinese goods now approaching 125–150%, and formal retaliation continuing on both sides, companies operating in or exposed to the U.S.-China corridor should prepare for an extended period of uncertainty—and potentially a major realignment in global trade flows.

We recommend that companies:

- **Reassess global supply chain exposure and origin strategies.** U.S. importers relying on China-origin goods may need to evaluate alternative sourcing or transshipment risks. Meanwhile, Chinese exporters could explore structured rerouting via third countries, though this approach raises compliance challenges in light of rising scrutiny.
- **Prepare for enhanced regulatory exposure in China.** U.S. companies with operations or joint ventures in China should anticipate increased compliance demands, longer approval timelines, and selective enforcement. This may require recalibrating investment strategies and contingency planning.
- **Recalibrate stakeholder communications.** Companies associated with newly listed entities or affected by export restrictions should prepare targeted messages for investors, partners and regulators. Messaging should underscore legal compliance and continuity of service where possible.
- **Track legal and regulatory developments.** As China continues to build out its legal and financial toolkit in responding to U.S. tariffs, up-to-date monitoring and staying ahead of regulatory trends will be essential.

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