



How China Aims to Navigate the Trumpian Storm and Come out on Top

by Thomas Eder

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Faced with the second Trump administration's rapid-fire policy decisions, massive tariff hikes, and frequent reversals or exemptions in early 2025, the Chinese leadership is unlikely to fundamentally rethink its foreign policy strategy. It would only do so in case of a kinetic war, but such a development is unlikely. Both Washington and Beijing are focused on the economy, and the new US tariffs also target allies and partners in the Indo-Pacific. As these countries lose trust in the US, not least because the Trump team appears to back away from confronting security challenges by strong (authoritarian) opponents, it becomes more likely that they will accommodate China. A war in the Taiwan Straits or the South China Sea would undermine this favourable trend for Beijing. In the absence of war, China will likely continue to strengthen diplomatic relations with developing countries (the 'Global South') and seek to preserve economic relations with Europe and security ties with Russia. It aims to supplant the US in global governance formats and lead reforms, to eventually surpass the US

in comprehensive national power, and to sustainably establish itself as the leading great power by mid-century.

Meeting US economic pressure, China's expert community recommends domestic demand-side reforms, friendly signals to potentially receptive groups in the US, patience, and a focus on avoiding a security crisis. Chinese scholars project confidence that China can hold out, and that the US will want to make a deal. They note a preference for less confrontational policies in the US financial sector and among state governments, the boom-and-bust cycle of the US economy leading to alternating Republican and Democratic victories, and a 'game' of 'tariff intimidation' being part of negotiations under President Trump. At the same time, experts suggest further stimulus to increase China's domestic consumption and redoubled efforts towards technological autonomy and resilient supply chains. Moreover, scholars recommend strengthening relations with US allies that disagree with its trade and climate change policies, and intensifying China's treaty-making and

multilateralist positioning. The main goal is to reduce China's dependencies on and vulnerabilities to the US.

Early 2025, indeed, saw China showing patience on tariffs at first. Yet, following the third US tariff hike, it began to join the US in every step of escalation, reaching tariff levels at 145% (US) and 125% (China). Thereafter, Washington indeed quickly deescalated by exempting key product categories like smartphones and computers and even stating that tariffs will soon 'come down substantially' and expressing hope for negotiations. The Trump administration appeared to react to investors selling US treasury bonds and causing a spike in 10-year treasury yields – i.e., unprecedentedly losing trust in the US as a safe haven for their assets – and a US stock market fall wiping out trillions of dollars in value.

China will also attempt to exploit opportunities to further diversify away from economic relations with the US and strengthen its position in international organisations. Washington's new tariffs on imports from most



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countries worldwide, its questioning of US commitments to allies and partners, and its decision to leave multiple international organisations and treaties are doing enormous damage to a multitude of bilateral relationships, while leaving a power vacuum in multilateral forums. Beijing is eager to fill the vacuum, improve its intended image as a ‘free trader’, and profit from increased trade and closer diplomatic relations with countries affected by the US’s new policies. The trade ministers of China, South Korea, and Japan had a trilateral meeting for the first time in five years to accelerate talks towards a trilateral free trade agreement and reaffirm their support for the World Trade Organisation (WTO). Chinese President Xi Jinping spent an entire week touring Southeast Asia for state visits to Vietnam, Malaysia, and Cambodia, with the intention of mutual reassurance between China and its most important trade partner, i.e. Southeast Asia collectively. An EU-China summit is planned for July 2025, with China mulling concessions to revive talks on the ill-fated “Comprehensive Agreement on Investment” between the two economic giants (proposed 2013, concluded in principle 2020, European Parliament refusing approval due to Chinese sanctions against MEPs, other officials and entities 2021). Meanwhile, Beijing will stay in UN agencies and bodies the Trump administration is withdrawing from (e.g. WHO, UNRWA), as well as treaty regimes like the Paris

climate agreement, and will paint itself as the more ‘responsible great power’. As Washington eliminates its US Agency for International Development, further goodwill falls into China’s lap.

China’s government has laid out a broad vision for global governance reform, which aims to convince developing countries that the US has failed them, and that the new China-led order will bring them security, prosperity, and respect. Beijing did so after declaring its ambition to lead global governance reforms in 2017. That declaration was made after China’s leadership had become convinced that the West’s power is in decline (from 2008), and that China should build on, reform and lead existing international organizations, while diversifying economic relations away from the West. In China’s 2023 summary of its vision (‘Proposal of the People’s Republic of China on the Reform and Development of Global Governance’), China implicitly alleges that the US renders the world less secure by sanctioning Russia for its illegal invasion of Ukraine, delivering weapons to the Ukrainian defenders, and allowing scared (Central) Eastern European countries to seek refuge in NATO. It accuses rich nations of rendering the world less prosperous by not living up to their responsibilities on development cooperation and climate finance, being overly protectionist, and withholding advanced technologies from developing countries. Lastly, Beijing criticizes (implicitly the US’s) alleged double standards, confrontational behaviour and pressure in the UN Human Rights Council, and interference in internal affairs on human rights issues, as expressions of a lack of respect for other countries and their ‘civilizational diversity’. It intends to end the international promotion and protection of civil and political human rights and competitive parliamentary democracy.

The Trump administration’s new policies render China’s argument that the US is harming developing countries’ prosperity more plausible, they help China’s push for influence on the global human rights agenda, but they do not make China a more attractive security actor. Many governments will be more receptive to allegations of the US being overly protectionist when its tariff policies hike rates for (almost) all countries to reach an average not seen in decades, and ignore international trade law and previous commitments. The same holds true for allegations of insufficient US development cooperation when such is almost over. China does not necessarily have to be less protectionist or more active in development cooperation to reap diplomatic benefits from the current situation. Authoritarian governments worldwide, and those trending in that direction, are already receptive to ending the international promotion of civil and political human rights. The US’s withdrawal from the UN Human Rights Council still matters, though, in easing China’s path to influencing the global human rights agenda. China’s likely greater economic influence in developing countries due to US tariff policies will further aid Beijing in rallying diplomatic support for its human rights ideas, even from some democracies. China’s arguments on US security policies in Europe, though, are of limited interest to many developing countries, and may no longer apply as President Trump mulls changing course on military aid, sanctions and even alliances. More importantly, small and medium-sized (often developing) countries worldwide may wonder why they should support a vision that bars them from entering defensive alliances and using economic means to retaliate, when major powers (including such with UN Security Council veto power) are becoming ever more dangerous military predators.

European decision-makers should expect a prolonged US-China trade war and accelerate efforts to increase Europe's strategic autonomy. The Chinese leadership remains reluctant to engage the White House, convinced it can eventually "manage Washington", and focused on exploiting the US's damaged ties with other states and withdrawal from the multilateral stage. Meanwhile, the Trump administration appears generally committed to a focus on new trade barriers and de-globalization. Under these circumstances, the European side should realize its increased leverage as both China and the US rely more on the European economy, while fully expecting its own difficult trade disputes with both countries. While enhancing Europe's self-sufficiency, EU and member state leaderships should redouble efforts towards more substantial diversification of their relations with external actors. They should pursue deepened economic and diplomatic relations with both developing and industrialized nations that are not Security Council veto powers and are perhaps disappointed by or even afraid of these powers. They should set Europe apart from (some) Security Council veto powers with a credible and consistent commitment to the UN Charter and a sustained commitment to multilateralism. They should demonstrate respect for developing countries as well as small and medium-sized countries by devoting time, effort and prominence to diplomatic ties with them, and supporting international rules that take their interests into account. Lastly, European decision-makers should demonstrate that EU enlargement is possible again before the decade is over, consider defence imperatives in the enlargement debate, and thus revive both Europe's pull of attraction and deterrence of aggressors.

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