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CHINA'S APPROACH TO TRUMP 2.0

LESSONS LEARNED AND SHIFTING DYNAMICS



By Balasubramanian C

Introduction

As global trade tensions escalate, particularly between the United States and China, Beijing has extended an official invitation to Indian Prime Minister Narendra Modi to attend the Shanghai Cooperation Organisation (SCO) summit later this year. This diplomatic gesture coincides with intensifying U.S.-China trade disputes, as President Donald Trump, preparing for his second term in 2025, has imposed tariffs of up to 145% on certain Chinese goods, with some duties reportedly reaching 245%.

During his campaign, Trump outlined aggressive policies targeting China, including 60% tariffs on Chinese imports, revoking China's "Most Favoured Nation" (MFN) trading status, prohibiting Chinese purchases of U.S. farmland, and strengthening measures to counter Chinese espionage and intellectual property theft. In recent months, representatives of

Trump and Chinese President Xi Jinping have held discussions, signalling Beijing's intent to strategically navigate the incoming U.S. administration.

This article examines Beijing's approach to Trump's second presidency, evaluates whether China is in a stronger or weaker position compared to Trump's first term, and analyses the likely trajectory of U.S.-China relations over the next four years. It also considers the broader implications of China's diplomatic outreach, such as the invitation to Modi, in the context of shifting global alliances and trade dynamics.

Lessons from Trump's First Term

Beijing's strategy toward Trump 2.0 is heavily informed by experiences during his first term (2017–2021). Chinese analysts have distilled several key lessons that now shape their playbook:

One, Personal Ties with Trump Are Unreliable - The lavish state visit China hosted for Trump in 2017 initially raised hopes of cooperation, only for the U.S. to pivot to confrontational policies in 2018. Beijing learned that personal rapport with Trump does not guarantee favourable outcomes.

Two, Focus on Actions, Not Words: The cacophony of voices within a Trump administration—advisors, officials, and Trump himself—makes it difficult to discern intent. China now prioritises observing U.S. actions over interpreting its rhetoric.

Three, Prepare for Volatility: Trump's unpredictability, both in personnel and policy, means agreements may not hold. Beijing estimates a 50% chance that any deal with Trump could collapse, prompting a focus on contingency planning.

Four, Demonstrate Retaliatory Capacity: China believes deterrence requires showing the U.S. it can inflict pain. This lesson has spurred the development of a sophisticated retaliatory toolkit. For instance, following President Trump's recent tariffs on international trade partners, China declared that it will impose a 34 percent retaliatory tax on U.S. imports, effective next week.

Five, Expect Ideological Hostility: Beijing perceives Trump's inner circle as ideologues bent on containment and regime change, necessitating a defensive posture.

Six, Seize Strategic Opportunities: Trump's tendency to strain U.S. alliances and alienate global partners offers China openings to expand its influence—opportunities it feels it underutilised during Trump's first term.

Armed with these insights, China has bolstered its ability to respond to U.S. pressure in ways it couldn't during "Trump 1.0." In many ways, China view Xi Jinping as politically stronger than eight years ago, with an economy perceived as more self-reliant and resilient. Meanwhile, they see the U.S. as politically polarised and economically fragile, potentially tilting the balance of power.

During a meeting in Tokyo last weekend in March, China's senior diplomat, Wang Yi, told his Japanese and South Korean counterparts that cooperation among the three neighbouring countries held "great potential" for enhancing trade and stability. Referencing their common "Oriental wisdom," he cited a proverb that appeared to subtly criticise the United States as a distant and unreliable ally: "Close neighbours are better than relatives far away..."

China's Position: Stronger or Weaker?

China's position relative to Trump's first term is a mixed picture. On one hand, Xi's consolidated power and China's push for economic self-reliance—through initiatives like “Make in China 2025, Dual Circulation Strategy and the recent New Quality Productive Forces”—suggest greater resilience. Beijing has also expanded its retaliatory toolkit, including export controls on critical materials like germanium and gallium, investigations into U.S. firms like Micron, and leverage over American companies like Tesla and Boeing operating in China. These tools allow China to target U.S. vulnerabilities without necessarily harming itself excessively.

However, China faces short-term economic headwinds that weaken its hand. The post-COVID recovery has been lacklustre, investor confidence (both domestic and foreign) is shaky, and the Renminbi requires active defence by the People's Bank of China (PBC). In contrast, the U.S. has pursued a self-strengthening agenda under the previous Biden administration—bolstering domestic investment, tightening tech restrictions on China (e.g., semiconductors), and repairing alliances frayed during Trump's first term.

Beijing acknowledges this duality: a long-term trajectory toward resilience but short-term fragility that Trump could target. The question is whether Trump seeks a trade deal to extract concessions or prefers a path of decoupling—a goal he keeps deliberately opaque.

China's Response to Trump's Tariffs

As Trump imposed steep tariffs, China is poised to retaliate swiftly. Its toolkit now includes tariffs of its own - export controls on critical minerals vital to U.S. supply chains, and regulatory pressures on American firms. Unlike Trump's first term, when China's options were limited by its trade dependence on the U.S., Beijing has spent years preparing for economic skirmishes. For instance, restricting exports of materials like graphite or antimony could disrupt U.S. semiconductor and drone industries, while investigations into companies like Nvidia or PVH signal a willingness to escalate.

China's strategy emphasises maximum economic and political pressure with minimal self-inflicted damage. Targeting U.S. corporate giants like Boeing (e.g., delaying purchases) or Tesla (e.g., stalling approvals) allows Beijing to exploit American business interests as leverage in Washington, a tactic refined since the last trade war.

Trajectory of U.S.-China Relations

The next four years of U.S.-China relations are likely to follow an “inverse” pattern compared to Trump's first term. Rather than starting with tentative stability (as in 2017 at Mar-a-Lago) and deteriorating later (post-COVID), experts predict early friction followed by potential stabilisation. Initial tensions could stem from Trump's tariffs and China's retaliation, but both sides might eventually seek a ceasefire—driven by mutual economic pain or a negotiated deal.

Beijing's approach reflects pragmatism. It aims to “compartmentalise” retaliatory moves (e.g., responses to previous administration Biden-era policies) to preserve space

for dialogue with Trump. China seeks time to shore up its economy, viewing a deal as a tactical pause in a long-term geopolitical rivalry rather than a sign of weakness. An early meeting between Trump and Xi seems unlikely—Beijing distrusts Trump and fears exposing Xi to political risk—but China has signalled openness by sending Vice President Han Zheng as an envoy to probe Trump's intentions and identify key interlocutors (e.g., a replacement for Jared Kushner's role in 2017).

Broader Geopolitical Factors

Two external issues could shape this trajectory: Ukraine and Taiwan. On Ukraine, Trump has hinted China could play a role, but Beijing's influence over Russia is overstated. China might offer token gestures—e.g., infrastructure contracts in a post-conflict Ukraine—to claim diplomatic wins, but it's unlikely to pressure Russian President Vladimir Putin significantly. On Taiwan, Xi Jinping appears cautious, prioritising PLA readiness by 2027 without committing to force. Trump's ambivalence toward defending Taiwan, coupled with advisors advocating restraint, reduces the near-term risk of conflict, though discrete Chinese actions to signal resolve remain possible.

Globally, China seeks to capitalise on President Trump's scepticism toward alliances to strengthen its international influence. In his first overseas trip of 2025, Xi Jinping visited Cambodia, Vietnam, and Malaysia in Southeast Asia. The visit cemented trust with these nations and highlighted the region's strategic importance to China in countering US tariffs. The substance of all these actions is a message of unity – urging countries to stand together against protectionism amid the uncertainty caused by US policies. This also explains Beijing's recent overtures to New Delhi, encouraging India to join in opposing the U.S. tariffs. Nations like the UK, Japan, South Korea, and the EU are warming to Beijing for economic reasons, while Japan and Australia have normalised ties. However, core US allies—wary of China's rise—are unlikely to defect fundamentally. The greater risk lies in the “Global South,” where Trump's protectionism could erode U.S. influence, allowing China to gain ground among these “swing states” controlling critical resources.

Conclusion: What Worries Lie Ahead?

The U.S.-China relationship is at a delicate juncture, akin to the U.S.-Soviet rivalry of the 1950s, as both sides test the boundaries of strategic competition. Trump's unpredictability heightens the risk of miscalculation—economic, military, or otherwise. While nuclear escalation is less imminent than in the Cold War, the stakes in technology, economics, and geopolitics are immense. China's retooled strategy and Trump's aggressive opening moves suggest a volatile four years, with the potential for both conflict and cautious détente hanging in the balance. ■

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