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US–China relations under Trump 2.0

Reset or restart?

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Contents

Introduction	04
The story so far – 2017 to 2025	05
Xi and Trump	11
The balance sheet: trade, investment and other links	13
Security issues and Taiwan	17
The BIG China–US deal	21
References	24

Introduction

In 2025, as Donald Trump 2.0 begins, the US–China relationship is expected to enter into a period of even greater uncertainty and turbulence. Trump 1.0, between 2017 and 2021, saw a harder nosed, more transactional approach by the world’s largest economy to its closest competitor. At this time, China was labelled a major strategic challenge, and, on occasion, a direct impediment to US concerns. And yet, the administration over these years was largely preoccupied with attaining a trade deal – something that was achieved in the early days of 2020 before the pandemic upended everything. The Biden administration, from 2021 to 2025, continued the same approach with the simple difference that it sought to do this more multilaterally.

This paper will look firstly at the recent history between the two superpowers since 2017. Secondly, it will look at the issue of how Trump sees China and Xi Jinping, and how the Chinese view Trump. The focus will then turn to trade and investment fundamentals, and where they stand today, followed by the key geopolitical pressure points – Taiwan, the South China Sea, and American Chinese security relations in the region and globally. Finally, it will look at the likely scenarios for how things could develop in the coming years, and what sort of ‘Grand Deal’ these two powers might achieve, along with how the world might look if they are unable to come to a workable arrangement.

The story so far – 2017 to 2025

US–China relations cast a shadow over everyone else. Whether we are in Istanbul, Cape Town, Sydney or Irkutsk, the way in which the world’s two largest economic and military powers relate to each other impacts on us all. This is particularly the case because, if America is seen to represent freedom and democracy, then China is the polar opposite: the last major nation on the planet under a one-party Communist system.

Broadly, from the moment Richard Nixon stepped off the plane, marking the first visit by a sitting US president to the People’s Republic of China (PRC) in 1972, to the early 2010s, the relationship was one where the default was engagement.¹ After China embarked on economic reforms following Mao Zedong’s death in 1976, the main strategy was to seek larger social and political changes through these economic engagements. US investment (along with that of other Western countries), trade and other forms of more transactional activity were justified on the basis that, at some point, a middle class would arise, able then to forge ahead with demands for political reform. As President Bill Clinton stated in a speech supporting China’s entry to the World Trade Organization (WTO) in March 2000, ‘Membership in the WTO, of course, will not create a free society in China overnight or guarantee that China will play by global rules. But, over time, I believe it will move China faster and further in the right direction, and certainly will do that more than rejection would.’² In hindsight, however, this statement was over-optimistic, if only because the moment when political change had been a real – albeit small – possibility was during the 1989 uprisings across China a decade before. The brutal suppression of these through the use of the military saw off any real threat to the regime, largely assisted by the almost immediate re-engagement with Beijing by the then-in-office Bush administration.

Through the 1990s into the 2000s, economic engagement intensified and the country's economy boomed. By 2010, the PRC had overtaken Japan as the world's second-largest economy in gross terms. In the Great Recession of 2008 onwards, problems that started in the US were stabilised to some extent by actions that China took, at least in Asia. Its massive fiscal stimulus package, for instance, meant that the country maintained stability and was able to continue GDP growth rather than seeing a downturn in the region. 'China was a big factor in why Asia managed to escape the global financial crisis relatively unscathed', the BBC stated.³ The irony was that, more than the Western capitalist countries, it was operating as a source of predictability over this time. Communism had come to the aid of capitalism and thrown it a lifeline. This was not what political scientist Francis Fukuyama's jubilant declaration of 'The End of History' through the creation of liberal democratic hegemony was meant to be heading towards when he predicted this at the beginning of the 1990s.

China's greater material capacity as a result of its economic growth meant that, even in the 2000s, it was clear that the country was acquiring formidable military capacity. It was able to acquire one aircraft carrier, the Liaoning, and start developing its own stealth fighter, the J-20, which appeared in 2011. At the same time, with technology reportedly imported from Germany and other countries, China put 43,000 kilometres of high-speed train line across the country in 15 years from 2008.⁴ China's 'peaceful rise' in its own political discourse was met with demands in 2005 by US official Robert Zoellick that it become a 'responsible stakeholder' and do more in the international system.⁵ But the intensification of clashes in the South China Sea from 2006, particularly with Japanese fishing vessels, was a sign of things to come. When Hilary Clinton as secretary of state declared that the 21st century would be 'America's Pacific century', with the China region its key priority, the Chinese response was shrill and forceful.⁶ They would not be contained, and they had legitimate rights to – as then State Councillor Dai Bingguo stated – defend their core interests.⁷ These included maintaining their political system.

In this context, with so many signs of contention and disagreement, the actions of the ‘great disruptor’ Donald Trump during his first term in 2017 were not so strange when it came to US–China policy. They can be read as a continuation of this attitude, formed under his predecessor Barack Obama, prompted by a greater sense of anxiety and unease about Chinese intentions. This was particularly sharpened from 2012 by the leadership of Xi, who adopted a far more populist, explicitly nationalist approach to the world. No longer was it a case of China being a quiet partner, simply seeking to ‘keep a low profile and fit in’, as expressed in part of the famous 24-character policy reportedly articulated by Deng Xiaoping in the 1980s.⁸ Instead, the ‘China Dream’, which became a national slogan around 2013 spelling out a desire for a stronger sense of Chinese confidence, and the Belt and Road Initiative – announced at the same time – mapped out what some saw as a ‘Pax Sinica’ to replace the Pax Americana that had prevailed since the Second World War.⁹

The Trump approach was different, therefore: not so much in its general contours – US tensions with China had been increasing for a number of years – but in its points of focus. The shift now was from engagement to demand for reciprocity. This is best represented by the talk that then Vice President Mike Pence gave at the Hudson Institute in 2018, in which he focused mostly on the lack of fairness: the US was being open, embracing and collaborative with China in terms of market access and other forms of partnership, but the relationship had ended up being largely in China’s favour, with major trade imbalances. ‘America had hoped that economic liberalization would bring China into a greater partnership with us and with the world,’ Pence stated. ‘Instead, China has chosen economic aggression, which has in turn emboldened its growing military.’¹⁰ The deficit in terms of exports and imports in China’s favour proved to be a particular obsession for Trump. America wanted China to give back, to invest, to create manufacturing jobs, and to take more US goods and services. Trump’s advisors, like Peter Navarro, had a particularly mercantilist view of the world. For them, America was being exploited and China was the chief culprit.

China and the US did achieve a partial trade deal in 2020, which contained provisions for more access for American goods and companies in China. But much of the practical impact of this was dented by the COVID-19 pandemic. US–China relations dipped to their lowest point for decades when the virus, which originated in central China, started to spread to the rest of the world. In the US, Trump labelled the disease ‘a China virus’.¹¹ So called Wolf Warriors in China, such as Ministry of Foreign Affairs spokesperson Zhao Lijian, responded with angry defensiveness, claiming that the problem may have originated with US involvement.¹² The economic and political impact of the problem on America was a contributing factor in Trump’s final loss of power in the election in late 2020. In this context, it is unsurprising that Trump 2.0 has a particular fixation with its greatest global rival.

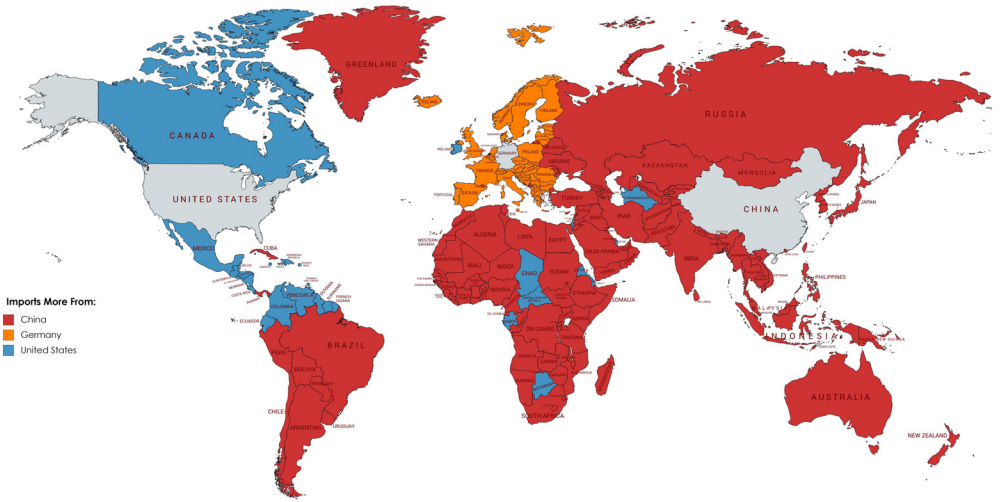
There are many who served in the first Trump administration – Matt Pottinger and Mike Pompeo, his final secretary of state – who see the relationship with China as a zero-sum existential fight. Pottinger has written of how the US needs to go for a victory, not a new deal: the byline of an article he wrote in 2024 with former US Congressman Mike Gallagher stated, ‘America’s competition with China must be won, not managed.’¹³ But, on the whole, in his years out of power Trump has maintained his standard mercurial inconsistency (more on this later).

The Biden administration attempted to maintain the same general approach, but they tried to be more systemic and rational, at least on the surface. Secretary of State Antony Blinken stated in a speech in 2022 that, with China, ‘we’ll compete with confidence; we’ll cooperate wherever we can; we’ll contest where we must’.¹⁴ Environmental co-operation was one area regarded as necessary and, in 2021 to 2025, that collaboration was largely positive. But, in security terms, with the Quad (consisting of the US, Japan, India and Australia), the AUKUS (Australia, the UK and the US) and the focus on the Indo-Pacific, efforts were made to counterbalance China’s perceived problematic regional and global role.

In many ways, the state of US–China relations in early 2025 is the result of two things. First, America’s recent experience of domestic division and often turbulent domestic politics have meant that, along with much of the Political West, its faith in its own political values and system has become more confused and contested. For the last decade, according to public survey organisation Pew, the belief of Americans in the ability of their own government to do the right thing has been at a historic low, barely shifting from a quarter of those questioned.¹⁵ Meanwhile, for much of this period, China (on the surface, at least) looked far more cohesive and unified. In 2016, for instance, according to a survey by the Ash Center at Harvard University, 95.5 per cent of respondents were either ‘relatively satisfied’ or ‘highly satisfied’ with Beijing.¹⁶ That may well have been due to the highly authoritarian nature of its internal system and the way this can silence dissent. But Chinese nationalism was a popular trope for a country that had endured much of modern history as the underdog. Having the world’s greatest single power worried about and trying to counteract it was, in some ways, highly complimentary of just how far China had come.

The second factor is that, on most measures, China has simply been a more formidable force and a far greater opponent than ever before. China matters in terms of its role in the global economy. The following chart shows the countries for which China was the main trading partner by 2023. The countries importing from China greatly outnumbered those importing from the US and Germany. In the Middle East, Africa and Latin America, China, Chinese companies and Chinese goods were rising.

Figure 1 Countries for which China was the main trading partner in 2023



There were plenty of other indicators of rising Chinese importance. For the first time in modern history, a Western power was facing pressure from one that had significantly different political and cultural values. And, while some theorists like Graham Allison and John Mearsheimer framed this as the basis for an inevitable conflict for final dominance, for most it looked more like an almost unsolvable conundrum.¹⁷ The US and China might have wanted a fight, but the problem was that any conflict risked imploding the whole global system and destroying not just the opponents but everyone else.

Xi and Trump

One of the interesting questions about Trump's approach to China is how it seems at least to have an idea of what the endgame – or most desired outcome – might be. Under Joe Biden, the general aim seemed to be a wide-ranging attempt to close off, confront and build resistance to China. But for the far more amoral, transactional 45th and 47th president, the aim is to do a deal, even though the contents of such a deal are hard to specify. As one former official from the US who has dealt with Trump stated in London in late 2024, Trump is uninterested in larger ideas, anything that smacks of theory and complexity. His trade is in simplicity. So, while the US–China relationship might appear endlessly complex and multifaceted, in his world view it's a simple matter of finding balance and the US getting what it wants – jobs, investment and technology – and the Chinese footing more of the bill for public goods that the US currently pays for.

Trump the diplomat is someone who rains down praise on his main opponent, even as he supports aggressive behaviour towards them. During an interview in 2023 on Fox News, he referred to Xi as being 'a good-looking man' and someone he admires.¹⁸ He has been accused of almost being envious of Xi's seemingly limitless powers. Someone who has seen them interact refers to the way that Trump clearly regards Xi as a person worthy of his august attention. Another stated that he will be 'wanting to spend a lot of time with the Chinese leader' because hammering out a deal would be, in his view, a historic achievement.¹⁹

What the Chinese think of Trump is harder to divine. Social media in 2024 largely presented the possibility of Trump 2.0 as something the country is well prepared for. But there are also plenty who interpret his return as a further sign of the general decline of the West, and of the corrosion of Western political values. The chief ideologue of

contemporary China, Wang Huning, who sits on the politburo, famously has a dim view of US cultural coherence and its general sustainability. This is a country consumed by culture wars, identity divisions and deep-seated structural problems. Its economy might have boomed in the most recent years, but its political system is clearly creaking at the joints.²⁰ In this dystopian view of where the US is heading, China may well be very wrong. The US has had plenty of people predicting its demise for decades. It was regarded as verging on the peak of implosion in the 1960s and the 1970s, and yet came back strongly after both of those periods. The US might be a flawed power – after all, what power isn't flawed? But whether or not it is doomed in the way some Chinese critics claim is another matter.

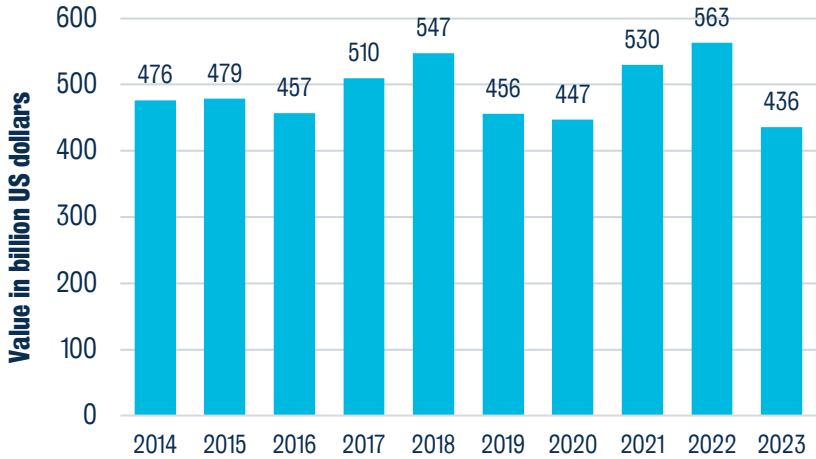
Like it or not, the US and China have to deal with each other, and everyone else has to somehow fit into the structure they come up with. Decoupling efforts as we will see later have had a very limited impact. But, while deliberate conflict between the two is not likely (though more likely than ever before because of the very hawkish views of some of Trump's team), accidental clashes are all too possible. And the question is to what extent the Trump administration with its enhanced confidence and sense of invincibility after the convincing win in 2024 will be willing or able to deal with these in ways that don't end up being catastrophic.

The balance sheet: trade, investment and other links

There is one fact everyone needs to agree on. Even after the turbulence of the last few years, the US and China are massively interlinked in terms of trade, and are still, despite various restrictions imposed in recent years by both sides, linked in terms of investment. This is even before considering indirect trading links via third countries.

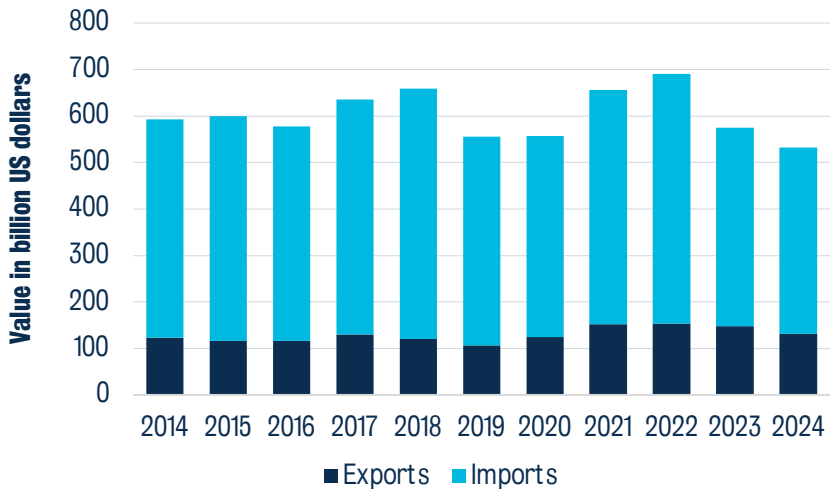
Take the most straightforward economic relationship: imports and exports between countries. In December 2024, exports from China to the US were \$48.8 billion, up from \$36 billion in the previous year (a 35.6 per cent increase).²¹ While trade has fluctuated in the last 10 years (see Figure 2), it has always been overwhelmingly in favour of China. Despite the trade wars from 2018, and the final agreement in 2020, that pattern has not fundamentally changed. For China, America remains its largest trading partner, with China coming in as America's third, after Canada and Mexico. In 2024, US imports from China were around \$401 billion, with the most-imported goods being phones, computers and electric batteries. The highest exports from the US to China were soybeans, crude petroleum and petroleum gas.

Figure 2 Exports from China to the United States 2014–2022



Source: [The Observatory of Economic Complexity](#).

Figure 3 US trade in goods with China 2014–2024



Source: [United States Census Bureau data](#).

In terms of foreign direct investment (FDI), the picture shows more noticeable change. According to UN data, generally with the rise of protectionism and greater securitisation, FDI fell by 10 per cent worldwide in 2023. The US remained the top destination, receiving \$177.5 billion in 2022, bringing the overall stock to a staggering \$5.2 trillion. China's contribution to this was a stock of \$28.7 billion in 2022: a fall of 7.2 per cent from 2021. This was mostly in manufacturing, real estate and depository institutions. Going the other way, the cumulative total of US FDI in China was \$126.1 billion in 2022: a 9.0 per cent increase from 2021. This was out of a total of \$3.5 trillion stock. This was composed of manufacturing, wholesale trade, and finance and insurance. America followed global trends in terms of deployment of FDI into China. Over the period 2021 to 2023, committed capital to China from the outside world dropped from \$344.07 billion in 2021 to \$42.73 billion in 2023.²² There has been a similar pattern for the US, where investment links have also dropped in the last decade.²³

In another area of strategic interlinkage and competition – research and development (R&D) – China and the US are not (yet) at parity, but the former is catching up on the latter and, in some areas, doing so rapidly. Estimates in 2025 from China's National Bureau of Statistics show that the country's R&D funding exceeded 3.6 trillion yuan (equivalent to \$496 billion) in 2024: an 8.3 per cent increase on the previous year (down from 8.4 per cent in 2023, 10.1 per cent in 2022 and 14.6 per cent in 2021). Its investment in basic research accounted for 6.9 per cent of its total R&D spend in 2024: a 10.5 per cent increase from 2023. This rising trend has been consistent.²⁴ In a global context, according to the OECD, China contributed 27 per cent of R&D investment globally in 2021, second to the US with 32 per cent. While the US has the highest proportion of most-cited researchers, its research publication rate declined in 2022 for the first time in several years. Between 2003 and 2022, the annual output of science and engineering articles grew by roughly one-third in the US while China saw a tenfold increase.²⁵ Seven out of 10 of the world's top-10 research institutions in natural and health sciences in 2023 were in China.²⁶ The shock that the success of AI app DeepSeek caused in the US in late January was indeed a wake-up call,

showing that Chinese technology and innovation can be as effective and disruptive as any other aspects of disruptive actions attributed to it, from state subsidies on industry to intellectual property theft. It is the sign of a new paradigm – a world in which China no longer imitates but innovates.

The US economy remains robust and maintains its poll position as the world's largest, constituting a little over a quarter of global GDP. In the early 2020s, China looked, briefly, like it was on a forward march to challenge this, rising in 2021 to over 18 per cent of the global figure while the US fell that year to 24 per cent. But it has since stagnated, falling back to around 16 per cent.²⁷ The Chinese growth rate since the pandemic has been hovering at around 5 per cent, with major concerns around local government debt, youth unemployment, the stability of the housing market and continuing political interference impeding the private sector. Even so, the possibility of rising domestic consumption in China remains a potential key to unlocking future growth: something that the mature economies of the US and Europe don't possess. Despite pessimism about the short- to medium-term prospects for China, the longer-term prognosis of its one day becoming the world's largest economy remains entirely possible.

Security issues and Taiwan

As levels of distrust and disagreement between China and the US have increased in the 2010s and been supplemented by the arguments caused by the COVID-19 pandemic from 2020, there has been a general increase in security concerns. In some ways, this is simply a recognition of two already stated facts: China has very different political values from those of the US (and its allies) and has increased its material capacity as its economy has grown stronger in the 21st century. As an indication, one can look at military expenditure. In absolute terms, China still spends only about a quarter of America's \$800 billion spend.²⁸ But figures from the Stockholm International Peace Research Institute, which include fuller data not contained in China's official figures, argue that, in fact, Beijing spent \$309 billion in 2023.²⁹ More recent estimates, when adjusted for purchasing power parity, suggest China's military expenditure is closer to two-thirds of that of the US, at \$541 billion. Its military spending may not equate to military strength, however. China spends more on military personnel compared to the US (\$327 billion vs \$238 billion), but its equipment levels are 42 per cent those of the US.³⁰

Both the Trump and Biden administrations saw China as a major security threat. Speaking in 2024, Director of the US Federal Bureau of Investigation Christopher Wray stated that China 'has made it clear that it considers every sector that makes our society run as fair game in its bid to dominate on the world stage, and that its plan is to land low blows against civilian infrastructure to try to induce panic and break America's will to resist'.³¹ Such terrifying language echoed sentiments used by former Secretary of State Mike Pompeo under Trump 1.0, who stated that China wanted world dominance and was a bigger threat than Russia.³² China, unsurprisingly, did not concur with this assessment. In 2024, Xi stated that 'China is willing to be a partner and friend with the United States. This will benefit not only the two countries, but the world'.³³

The likelihood that the US and China will come directly into military conflict remains (at the moment) low, despite the raised tensions between the two. They are both nuclear powers, and both could cause unconscionable damage to each other if they were to clash. But in the South China Sea area, and in particular on the matter of Taiwan, the possibility of accidents leading to escalation cannot be dismissed. In the last decade, claims made by the US and others that China is extending its reach deep into the maritime territory, almost down to the coast of Indonesia (the infamous ‘nine-dash line’ zone, referring to the vague dashes drawn on many Chinese maps that, the country states, mark the limits of its legal claims) have been met by increased sailings by US, British and other vessels in order to defend what is called ‘freedom of navigation’ within international waters.

The South China Sea area is a vastly significant global trade route. It is also, as far as China is concerned, a point of vulnerability, where its dependence on security provided by others (in particular, the US) dictates how confident it can be to maintain its supply of energy from places like the Middle East, and in its ability to ship in and out of the country. It is unsurprising that China therefore regards this vast area as one of key strategic importance, and is seeking the maximum influence there.

The issue of Taiwan, however, is far more potent, and remains the single-largest source of potential conflict. The existence of the Republic of China on Taiwan island since 1949 and the defeat of the Nationalist Government in the Civil War then meant that there were two entities declaring that they were China. Since the 1950s, Taiwan has been a largely self-ruled state, a close ally of the US, and, since the 1990s, a fellow democracy. Washington may have shifted full diplomatic recognition from Taipei to Beijing in 1979, but it remains a security guarantor for the island, which now has a population of 23 million and a vibrant free media, civil society and multi-party political system.

China–Taiwan relations have largely been dealt with in the last 50 years by the One China policy. In that, the US acknowledges that there is one China, but also that any resolution of the current impasse has to be one that both sides of the strait of water dividing them have to agree mutually. For many reasons, the likelihood after 76 years of being separate from China, and 30 years of being a democracy, means that, today, Taiwanese appetite for reunification along the lines suggested by Beijing is at a historic low. There is no sign that this might change. Taiwanese people pragmatically accept that the current status quo is necessary. But largely they do not support either reunification with Beijing or overt attempts to declare independence – mainly because of a recognition that this might cause the People’s Republic to respond forcefully and precipitate a war.

A war across the strait would be devastating. It would also be very likely to pit the US directly against China. It would strike at the heart of the global economy and its major supply chains. To add to the complexity, Taiwan is a producer of 90 per cent of the world’s highest technology semiconductors. Despite demands by the Trump administration up to 2021 – ones that were continued by Biden and are likely to be maintained by Trump 2.0 – to shift some of this production to the US, the dependency on a key component of the global economy being sourced from such a vulnerable place remains considerable.

Trump’s newly appointed secretary of state, Marco Rubio, in a conversation with his Chinese counterpart, Wang Yi, in January 2025, reaffirmed the US position that it does not support Taiwan’s independence. However, he has also maintained America’s position of attempted neutrality, whereby, as long as both sides agree, the US will abide by their joint agreement. Currently, they clearly do not. The Taiwanese election in 2024 produced a win for the Democratic Progressive Party under Lai Ching-te. He is perhaps the strongest supporter of Taiwanese de facto independence, even if as president he has been restrained in his language about this issue. But the brute fact is that, with a nationalist leader in Beijing who clearly does regard it as necessary to have a timetable for national reunification, a leader in

Taiwan who is more vehemently opposed to this than any other in the last three decades, and a US administration that is unpredictable and transactional, this issue has never looked more unstable.

Trump's views on Taiwan are characteristically hard to predict. Breaking precedent, he made a call to the then president of Taiwan, Tsai Ing-wen, when he was first president elect in 2017, enraging Beijing. But he largely abided by the One China policy, and, indeed, out of office, spoke much more about Taiwan needing to relocate some of its high-end manufacturing to the US. It is unlikely that he will follow the example of his previous secretary of state, Pompeo, who, on his last day in office in January 2021, said the US should recognise Taiwan's independence and put an embassy in Taipei. This was predominantly a gesture, but if the view were emulated by a sitting president, and actioned, the result would be almost certain immediate conflict, either with a blockade or an out-and-out military reaction from Beijing.

While Trump is largely regarded as a leader who dislikes the costs and bloodshed of wars, for which the world should be grateful, he is also highly transactional. Could the US posture of 'strategic ambiguity' on the Taiwan issue – where it neither commits to defending the island nor denies the prospect of such an action – be part of a trade-off to get what it wants with China? This is extremely unlikely. But, alas, extremely unlikely events sometimes happen. At the time of writing, the one thing that has to be recognised is that the status of Taiwan and its management by the One China policy has never been under greater pressure. This therefore ranks as perhaps the world's greatest security challenge, and its management by the Trump administration is a matter for global concern.

The BIG China–US deal

Where is the world heading, with Trump back in the White House and Xi maintaining his grip on the leadership of the PRC into the foreseeable future? It is pretty clear that a continuation of the ‘quasi-Cold War’ atmosphere where the two tried to work around their mutual antipathy while also acknowledging their inevitable interlinkages is due for a major rethink. The US and others cannot pursue the contradictory path of, on the one hand, accusing China of trying to take over the world and, on the other, demanding it open its economy and do more to improve the experience for investors and businesses. The evidence shows that complete decoupling is not possible, no matter how much both sides might want it. We are now in an era, therefore, where the more zealous desire to see regime change in China and a country spring into existence with the same democratic and political values as the West is no longer a tenable objective. China may well embark on a change to its governing system. But experience over the last 50 years has shown that it is almost impossible to predict where this might lead, and it is very unlikely that it will replicate what exists anywhere else. Everywhere is different, but China is more different than most.

Trump’s desire for a more balanced trading and economic relationship with China, and one brought about by more aggressive investment and market access measures, is not fanciful, and may well achieve a more sustainable, pragmatic relationship. The problem is that no one quite knows what sort of arrangement might work. It may be that Trump is no different from the many other businesspeople over the decades dazzled by the El Dorado of a China with massive potential, where Americans cannot just be great again but get richer. The 2020 partial trade deal between the two countries ended up not particularly changing the circumstances. It forced China to buy certain products and shift some production to the US. But the laws of economics dictated

what was and wasn't possible, more than China could. The simple truth is that, for a host of reasons, manufacturing in China compared to the US remains more competitive in many areas. A trade deal will not magically change that.

Where Trump might achieve something is in one area in which the Chinese Government has been defeated so far: raising Chinese levels of consumption. For decades, this has remained stuck at one-third of GDP – far lower than that of developed countries. Chinese people are no more likely to stop saving now than they were three decades ago, when they were far less wealthy and lived in a far less-developed country. Various campaigns by the government to try to make Chinese people consume more have so far failed to work. And, with other areas of growth either declining or under pressure, this is the one thing that might prove a gamechanger.

If the US does devise a negotiating approach whereby it can offer ways in which its products, services and economic assets are seen by the Chinese Government as assisting in this battle to raise consumption, then the likelihood of a new deal becomes possible. The European Union (EU) did after all finalise the Comprehensive Agreement on Investment in 2019, which, for the first time, opened up services and other areas of the Chinese economy to the strengths of the EU. That deal was not signed for political reasons, but the US might look at duplicating it. It might also receive significant concessions from China, in terms of accepting finally that it is a developed rather than developing market and therefore has lost some of its advantages.

Trump the showman would regard the announcement of a great new deal between the US and China, in which the US is seen as coming out on top, as a major political triumph. For Xi, too, it could be presented as something worth doing to stabilise its security environment and reset its vexed relations with the world. Dealing with an American administration that was focused on the bottom line, rather than lecturing it and offering it sonorous sermons on how it needs to behave, has diplomatic traction. It may well be that Xi and Trump can achieve a

new kind of relationship: one that is less ambitious than in the past but that is at least workable and realistic.

To achieve this, Trump's officials will no doubt exploit any pressure points they can. Hammering China on the origins of the COVID-19 pandemic; demanding it does more to address the illegal trade in fentanyl; painting carbon emissions as a Chinese problem rather than a US one because of its rising contribution to global levels: China will not have an easy time under Trump. But it might see this White House as offering opportunities to strengthen its role in the region, and see a US keen to roll back some of its security commitments due to Trump's views on not footing the bill for others' security.

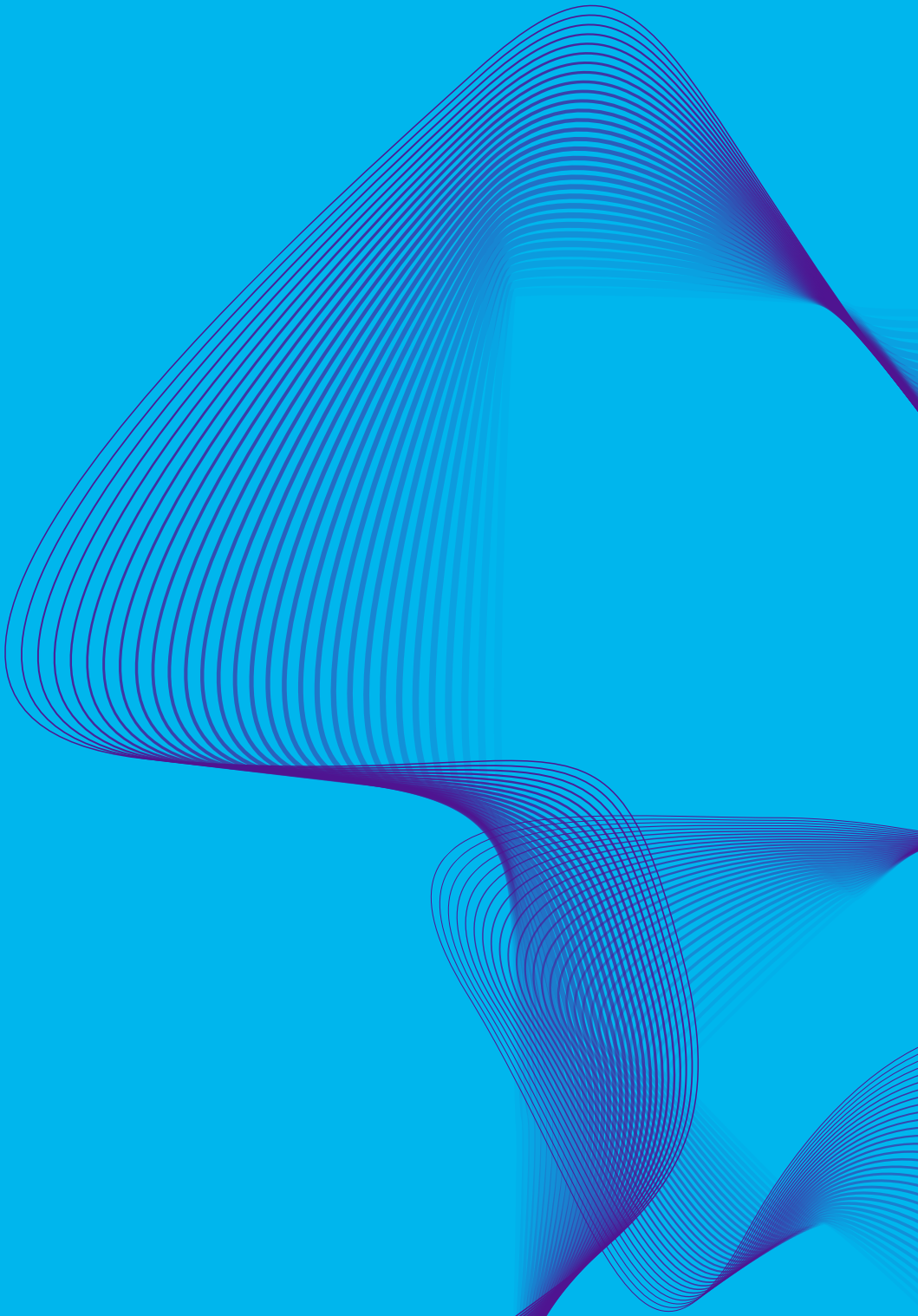
China has never had an easy relationship with the US. Ironically, it is therefore better placed than most to deal with Trump 2.0. It will not have to manage the disappointment that countries that have been long-standing allies of America are facing, now that they are being treated to harsh demands about trade and security relations that were once seen as very predictable and a given. And at least China will be spared the pressure of dealing with a country that is deeply critical of its political values and its domestic system. With Trump, the main question will be: what can China offer to placate his notion of a better deal for the US? And the answer to that is: probably more than most. For once, China will be able to join with many others in pondering what to do about a US acting in ways that were never expected and that no one can quite work out. For that reason alone, China may find more common ground with Europeans, Canadians and other members of the Political West than it ever did before. This is the strange, looking-glass world we are entering in 2025.

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