



RCAS Commentary

China Should Not Worry about Trump's Second Term

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About RCAS

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RCAS aims to become a leading research institute and think tank on Asian affairs in the Indo-Pacific region. To date, RCAS has conducted research programs on maritime disputes in the South China Sea (SCS), China's relations with the Indo-Pacific states, the Belt and Road Initiative (BRI), terrorism/counterterrorism in the Afg-Pak region, and so on. It is committed to promoting maritime cooperation, regional integration, and regional peace in the Indo-Pacific region at large.

RCAS has published nearly ten books in Chinese and English and more than 20 papers in SSCI/SCOPUS/CSSCI-indexed journals. Recent English publications include *Populism, Nationalism and South China Sea Dispute: Chinese and Southeast Asian Perspectives* (Singapore: Springer Nature, 2022); *Pakistan's Foreign Policy: Contemporary Developments and Dynamics* (London: Routledge, 2022); *Crossing the Himalayas: Buddhist Ties, Regional Integration and Great-Power Rivalry* (Singapore: Springer Nature, 2021); *The Reshaping of China-Southeast Asia Relations in Light of the COVID-19 Pandemic* (Singapore: Springer Nature, 2021); *Territorial Disputes, The Role of Leaders and The Impact of Quad: A Triangular Explanation of China-India Border Escalations* (2023); *Managing the South China Sea Dispute: Multilateral and Bilateral Approaches* (2022); *China-Pakistan Cooperation on Afghanistan: Assessing Key Interests and Implementing Strategies* (2022); *Hedging Against the Dragon: Myanmar's Tangled Relations with China since 1988* (2021); and *China-Pakistan Conventional Arms Trade: An Appraisal of Supplier's and Recipient's Motives* (2020).

RCAS has also published hundreds of articles, and its researchers have been interviewed in various local and international media outlets, such as *The Diplomat* in the United States, *East Asian Forum (EAF)* in Australia, *Bangkok Post* in Thailand, *Jakarta Post* in Indonesia, *Lian He Zao Bao*, *Think China* in Singapore, *South China Morning Post (SCMP)*, *China-US Focus* in Hong Kong, *CGTN*, *Global Times*, *World Affairs* in China. RCAS researchers have actively participated in international conferences or study visits in the United States, India, Pakistan, Sri Lanka, Nepal, Myanmar, Cambodia, and other places.

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China Should Not Worry about Trump's Second Terms

Ghulam Ali

With his victory in the Nov. 5 election, Donald Trump is set to become the 47th president of the United States in January. While his return to the White House after four years has created a sense of uncertainty worldwide, analysts discuss its consequences for China the most.



▲Chinese President Xi Jinping (2nd R) and his wife Peng Liyuan (1st R), and U.S. President Donald Trump (2nd L) and his wife Melania Trump pose for a photo in front of Taihedian, the Hall of Supreme Harmony, during their visit to the Palace Museum, or the Forbidden City, in Beijing, capital of China, Nov. 8, 2017. (Xinhua/Xie Huanchi)

Their concerns stem from Trump's China-centric measures during his first term in office (2017-21). Sino-U.S. relations began to face troubles early on, when Trump in December 2016 received a congratulatory call from Taiwan's leader Tsai Ing-wen. Since the establishment of Sino-U.S. diplomatic relations in 1979, Trump was the first president-elect to speak with a sitting top official of the island. Subsequently, his administration imposed tariffs on over \$360 billion of Chinese products and targeted Chinese tech firms, including Huawei, over security concerns. Trump issued at least eight executive orders specifically related to China.

During his 2024 election campaign for a second term, Trump threatened to impose a 60 percent tariff on imports from China, revoke China's most favored nation status and relocate pharmaceutical manufacturing from China, among other measures. These announcements, combined with his domineering personality and obsession with the theme "Make America great again," shaped most analysts' projections of a tense Sino-U.S. relationship during Trump's second term.

Is China really vulnerable to the anticipated U.S. trade war and heavy tariffs? Key areas where the U.S. under the Trump administration could challenge China include trade, tariffs and technology. However, in anticipation of such measures, Chinese leadership in recent years adopted strategies to diversify its economy, trade and investment with various regional and trade blocs while strengthening bilateral relations with middle powers and promising economies.

For example, China has consolidated its partnership with ASEAN and is one of the 17 dialogue partners of the ASEAN Regional Forum and a member of ASEAN Plus Three. Both sides have established the ASEAN-China Free Trade Area and are currently negotiating to upgrade and expand its provisions. The level of engagement is evident in the fact that in 2023, China-ASEAN trade volume reached an impressive \$911.7 billion, making China and ASEAN each other's largest trading partners for four consecutive years.

In January 2022, the China-led Regional Comprehensive Economic Partnership came into effect. RCEP represents one of the largest free trade agreements in history, encompassing 15 countries in the Asia-Pacific region, including China, Japan, South Korea, Australia, New Zealand and the 10 ASEAN nations. The partnership covers approximately 2.2 billion people and accounts for about 30 percent of global GDP, making it a pivotal player in the global economy. Further, RCEP aims to eliminate tariffs on at least 90 percent of goods traded between member countries over 20 years. This is expected to facilitate smoother trade flows and enhance market access.

China has also deepened its cooperation with the Arab world, particularly with the six members of the oil- and gas-rich Gulf Cooperation Council. It has become the largest trading partner of many Arab countries. Trade volume between China and Arab nations surged from a mere \$36.7 billion in 2004 to \$431.4 billion in 2022, a multiple of 11. A survey of recent developments shows a major shift in China's investments, manufacturing, trade and energy deals done with the wider Middle East region.

China is reaching out to far-flung areas. Beijing expanded economic ties with Latin America and the Caribbean. Between 2005 and 2020, it provided more than \$138 billion in loans to the LAC region. This economic boost to developing regional economies — and the potential political benefits for local leaders eager to showcase their efforts in addressing pressing development needs — has been significant. For

many LAC countries, China is regarded as an indispensable partner. As a result, China's trade with LAC surged from \$12 billion in 2000 to \$445 billion in 2021.

The BRICS group, of which China is a founding member, is another platform for diversifying China's trade. During its 15th session in Kazan, Russia in October, member countries discussed increasing inter-bloc trade, de-dollarization, using grain as a medium of exchange and opposing unilateral sanctions (a reference to the United States). In a significant expansion, BRICS admitted four new members: Egypt, Ethiopia, Iran and the United Arab Emirates. The total GDP of BRICS (including the expansion) is approximately \$30.8 trillion, representing about 29 percent of the world's GDP.

Beijing also expanded its bilateral relations with major middle powers and improved ties with individual members of ASEAN (with the exception of the Philippines). The recent visits of Malaysian Prime Minister Anwar Ibrahim and Indonesian President Prabowo Subianto are its manifestation. While in China, Prabowo said that Indonesia would maintain its non-aligned status and would not take sides in any geopolitical rivalry.

Similarly, the meeting between China's President Xi Jinping and India's Narendra Modi on the sidelines of BRICS, their first meeting in five years, led to a deescalation of the China-India military confrontation and eased tensions on the disputed border. This would logically expand their bilateral trade. In fact, Sino-Indian trade thrived despite the geopolitical rivalry.

Moreover, Chinese Premier Li Qiang's visit to Australia in June has put the Sino-Australian relationship on track. China's development of relations with two key Quad members and close U.S. allies (India and Australia) underscores the pull of China's economic power.

All this explains China's strategies for the diversification of its trade, economy, investment and energy policies in anticipation of global economic troubles. Therefore, even if the Trump administration imposes tariffs, China has a diverse set of reliable platforms to fall back on.

While anticipating the Trump administration's consequences for Sino-U.S. relations, it is equally important to highlight that most analysts focus primarily on confrontational areas and tend to overlook cooperative aspects. Goodwill and the recognition of the need for cooperation exist in parallel on both the Chinese and American sides. China's neutrality on U.S. elections, its respect for Americans' choices and Xi's congratulatory message to Trump convey its goodwill and commitment to constructive diplomacy.

Similarly, Trump and the U.S. are not solely negative about China. Trump has occasionally referred to Xi Jinping as a “very good friend.” At the same time, it is uncertain whether Trump would wholeheartedly pursue his election promises or continue the confrontational policies of his first term. For politicians, election campaigns and governance are often different. Campaigns are lively rallies aimed at capturing voters’ attention through a mix of optimistic, exaggerated and even reckless claims. Leaders face a reality check when they enter power corridors. There are various reality checks:

First, Trump knows that imposing tariffs and waging a trade war would lead to retaliation by “targeting Fortune 500 companies exposed to the Chinese market.” China could also suppress the export of tech-critical minerals to offset American curbs on semiconductors.

Second, China holds what analysts call a “nuclear option” of selling off some of its \$775 billion in U.S. Treasury securities and allowing its currency to devalue against the dollar.

Third, Elon Musk, who manufactures Tesla electric cars in China and who supported Trump’s election, would not want a trade war.

Fourth, Trump’s earlier trade war, which resulted in a deal with China (signed in 2020), hardly helped reduce the trade deficit or increase Chinese investment in the U.S. These decisions are shaped by market forces.

Fifth, the U.S. tariffs imposed on the world’s second-largest economy and largest manufacturer would not be limited to China alone. They would disrupt global supply chains, affecting both U.S. allies and adversaries.

Sixth, a study by scholars at the Peterson Institute for International Economics found that the upcoming Trump administration’s plan to impose a 60 percent tariff on imports from China and up to 20 percent on goods from all other countries will ultimately be passed on to American consumers. This could cost U.S. households in the middle class more than \$2,600 a year. As this policy would also affect other countries, including U.S. allies, it would create a negative impact on U.S. foreign policy.

In September 2023, Tony Chan, president of King Abdullah University of Science and Technology, and his colleagues denounced U.S. measures to slow China’s technological development in an essay in Foreign Policy. They provided examples of how curbs on China have led to innovations. This is particularly relevant now. While Trump’s China policy has yet to be revealed, but if he targets China he is likely to achieve little and instead push China toward further discoveries and innovations.

On the Taiwan issue, most of Beijing's concerns stem from the sensitivity of the matter. Trump did not cross China's red line. After his telephone conversation with Tsai in 2016, Trump adhered to the status quo policy for the rest of his presidency. This time around, he seems even more critical of Taiwan. He accused it of undermining the U.S. chip industry and insisted that it pay the U.S. for its defense — a much more transactional approach than one driven by geopolitics.

On many global issues, Trump would require China's support, just as he sought it during his first term—for example, for rapprochement with North Korea and Russia. During his election campaign, Trump promised to end the Russia-Ukraine war quickly and restore peace in the Middle East. For these and various other issues, Trump would need China's assistance.

Trump toughened his China policy around 2018 as the U.S. approached the 2020 elections. At that time, China had become a target for U.S. politicians. This second term would be his last. Thus, because he could no longer seek re-election, his policies might differ from those aimed at electoral politics. Trump might prefer to leave behind a legacy as a peacemaker, a friend and an ender of wars.

A change of leadership in the White House would certainly pose new challenges for Beijing, as it would for many other countries, but China is not as vulnerable as portrayed in most analyses. It would also bring opportunities, such as pushing China to diversify its investments and explore new markets on one hand, while projecting itself as a stable and predictable power on the other.

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