



RCAS Commentary

China Prepares for Trump 2.0

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About RCAS

香港亞洲研究中心| The Hong Kong Research Center for Asian Studies (RCAS) is a nonprofit research organization focusing on Asian affairs. It is a newly established institution founded in February 2022 by Dr. Nian Peng in Haikou and subsequently moved to Hong Kong in September 2023. We currently have an international research team with nearly 100 resident/nonresident researchers from China and other countries.

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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The inauguration of Donald Trump for his second term as U.S. President on Jan. 20 carries potential global significance. Most analysts see major consequences for China. But China appears to be far better prepared than many expected.



▲ President Donald Trump and First Lady Melania Trump attend the Commander-In-Chief inaugural ball at the Walter E. Washington Convention Center in Washington, D.C., on Jan. 20, 2025. JIM WATSON/AFP via Getty Images.

In the Asia-Pacific region, where the China-U.S. rivalry will manifest the most, the country's preparedness consists of three main pillars:

- Strengthening relations with regional countries;
- Promoting a multilateral economic framework; and
- Introducing domestic reforms to address economic challenges.

These measures will absorb the major impact of Trump's (un)expected imposition of tariffs, diversify markets for Chinese goods, lessen the chances for China's rivals to form strategic alliances and attract foreign investment to China.

Strengthening relationships

Today, most of China's relations with Asia-Pacific countries are stronger than during Trump's first term. Beijing has addressed key issues with regional players such as India, Australia and New Zealand, and with the exception of the Philippines, relations with ASEAN members have improved — both with claimants and non-claimants in South China Sea disputes — as evidenced by high-level visits. In fact, each sub-region of the Asia-Pacific (Oceania, Southeast Asia, East Asia and South Asia) exhibits an upward trend in relations.

Of the 14 countries of Oceania, Australia and New Zealand are the heavyweights and important U.S. allies. China-Australia relations, which were tense from 2018 to early 2022, have steadily improved since the election of the Anthony Albanese government in 2022. Last year, Chinese Premier Li Qiang visited both Australia and New Zealand. Later, President Xi Jinping held separate meetings with Prime Minister Albanese and New Zealand's Prime Minister Christopher Luxon on the sidelines of the G20 Summit in Peru. As of the end of 2024, most trade-related restrictions between the two countries had been lifted. China's extension of visa-free travel for New Zealanders and the country's promotion of the Chinese language through Confucius Institutes helped strengthen two-way people-to-people ties.

China has also strengthened relations with the 12 smaller countries of Oceania (Papua New Guinea, Fiji, Solomon Islands, Micronesia, Vanuatu, Samoa, Kiribati, Tonga, Marshall Islands, Palau, Nauru, and Tuvalu) based on the "four fully respects" principle, namely respecting their sovereignty, independence, will and cultural traditions. Prime Minister Sitiveni Rabuka of Fiji visited Beijing in August, reflecting the positive development of two-way ties.

Beijing's ties with Southeast Asia are particularly strong. Vietnam's President To Lam visited China in August, marking his first international trip since taking office. And General Min Aung Hlaing, the head of Myanmar's military government, visited China in October.

Indonesia's President Prabowo Subianto visited China twice in 2024. He first traveled there soon after winning the February elections and again after taking the oath of office. In November, Anwar Ibrahim, the prime minister of Malaysia and the chair of ASEAN, visited China. During that visit, Anwar invited Xi to participate in the ASEAN-GCC (Gulf Cooperation Council) Summit. On the Chinese side, Premier Li visited Malaysia, Laos and Vietnam last year.

In East Asia, while challenges persisted in China's relations with Japan and South Korea (two key U.S. allies), Beijing expanded its diplomatic engagement. Li's visit to Japan and the visits of the Japanese and Korean foreign ministers to Beijing reflected

more of this engagement. More important, Xi met with the Korean prime minister and Japanese Prime Minister Shigeru Ishiba at the APEC meeting in November.

In South Asia, the normalization of the China-India relationship proved a significant development. The rapprochement started when Xi and Indian Prime Minister Narendra Modi held their first summit meeting after a four-year hiatus on the sideline of the BRICS Summit in October in Russia. Both sides decided to demilitarize their contested border and restore the relationship to a pre-2020 status. Following this, the normalization process between the two giant neighbors progressed swiftly. With regard to other South Asian countries, Premier Li visited Pakistan, and China received political and military leaders from Pakistan, Bangladesh, Nepal, Sri Lanka and the Maldives in Beijing last year.

Promoting multilateralism

Another important component of China's moves in the Asia-Pacific is the expansion of engagement with multilateral institutions. China is a member of the ASEAN Regional Forum, ASEAN Plus Three and the Conference on Interaction and Confidence-Building Measures in Asia. Most notably, China is a member of the Regional Comprehensive Economic Partnership, or RCEP, the world's largest free-trade agreement, which was signed in November 2020 and took effect in January 2022 for the initial 10 participating countries.

In addition to this, China has shown interest in joining the ASEAN-GCC Summit, which will be held in Kuala Lumpur later this year. The first summit took place in Riyadh in October 2023. On that occasion, both regional blocs decided to hold a biennial summit alternately. As the chair of ASEAN, Malaysia will organize the second summit. As mentioned before, Prime Minister Anwar invited China to participate.

Subsequent developments indicate that Malaysia is taking trilateral cooperation between the two blocs and China seriously. Although China still has to decide whether to participate as an observer or become a regular partner, the latter option appears promising. China maintains close relations with both regional blocs, the GCC and ASEAN. If cooperation between them materializes, they will form one of the world's largest political and economic blocs.

Parallel to China's participation in these groups, several Asia-Pacific countries have joined China-led institutions, such as the Shanghai Cooperation Organization and BRICS (Brazil, Russia, India, China, and South Africa). Indonesia's full membership in BRICS in January 2025 is the latest development in this regard.

Domestic reforms for business

China's domestic fiscal reforms to address economic challenges and open its huge market to investors are other initiatives to deal with the potential consequences of Trump's tariffs and economic strangulations.

Some of these measures include Beijing eliminating access restrictions on foreign investment in the manufacturing sector. Foreign manufacturers in China can now avail themselves of the same benefits as Chinese nationals. This provides foreign enterprises with broad opportunities for investment in China.

Under capital market reforms, China has simplified investment rules for foreigners in the stock markets (A-share market) by lowering shareholding thresholds, reducing lock-up periods, and expanding investment channels. Additionally, to improve the business environment, it introduced tax cuts, streamlined customs procedures, and enhanced regulations for cross-border data transfers. Consequently, in the first 11 months of 2024, more than 50,000 foreign entrepreneurs established businesses in China, marking an 8.9 percent year-on-year increase.

Finally, China has taken several steps to change its export-oriented economy, at least partly. It will raise its fiscal deficit ratio to around 4 percent of GDP this year and issue RMB 2 trillion (double the previous year) in ultra long-term special government bonds in 2025 to fund major national strategic projects and capacity-building initiatives related to security. In addition, Beijing authorities intend to introduce economic stimulus measures, implement SOE reforms and eliminate local protectionism and market segmentation.

These reforms demonstrate China's commitment to using fiscal and monetary tools to stimulate economic growth, address structural issues and navigate the challenges posed by domestic and international factors. Project Syndicate indicated that if China continues its reforms, it could maintain economic growth of up to 5 percent.

Conclusion

The aforementioned explains that China has a favorable political and economic environment in the Asia-Pacific region. Improved relations with India and Australia will contribute to this positivity while reducing the likelihood of their alignment with the United States against China. The vast Asia-Pacific region, along with several multilateral economic platforms, gives China significant leverage to counter U.S. tariffs and sanctions. China's measures to address domestic economic challenges and attract foreign investments will help, at least in part, to "de-Americanize" the economy. Beyond China, America's Asia-Pacific allies are also concerned about Trump's unexpected policies. This inevitably inclines them toward China, which is

geographically close, predictable and economically compatible. Today, China is far more resilient than it was four years ago.

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