

China's Strategy for Dealing with Trump 2.0



Jihyun Jung

Research Fellow, China Team

Center for East Asian and Advanced Economy Studies

In addition to aggressive tariffs, the prevailing view is that the second Trump administration's restrictions on China will be broader and more aggressive, including export controls on technologies such as semiconductors, restrictions on Chinese investment in the US (particularly in technology, critical infrastructure, healthcare, agriculture, energy, and commodities), restrictions on US companies investing in China, and restrictions on access to government procurement markets.

Indeed, President Trump, who took office on January 20, imposed 10% tariffs on China from February 4, with another 10% to follow on March 4. In response, China added 15% tariffs on US coal and LNG products, and 10% tariffs on crude oil, agricultural machinery, heavy vehicles, and pickup trucks on February 10, and is considering retaliatory measures targeting agricultural and food products, according to Chinese state media.

In response to these US regulatory measures, China has maintained a relatively consistent position. China wishes for a mutually beneficial and win-win relationship with the US, and should not choose confrontation and conflict. In line with this stance, when the US announces sanctions against China, China has taken reactive and defensive measures in response. At

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the same time, internally, China has focused on developing its own technologies in key areas such as AI, semiconductors, and 5G to counter the US technology blockade.

What has changed in China's response strategy under the second Trump administration is that its trade diversion strategy—initially focused on bypassing tariffs by establishing overseas production bases—has been expanded to include geopolitical maneuvering, and it is seeking a broader agreement with the US rather than engaging in sectoral consultations.

In response to the additional tariffs imposed on the majority of the world's goods from the first Trump administration, China pursued an economic bypass strategy by investing directly in Vietnam and Mexico to establish bypass production bases. As Trump's second term places an even greater emphasis on America-first policies, China has prioritized taking advantage of the weakening of US alliances and solidarity. It will pursue a geopolitical bypass strategy of being reactive and passive toward the second Trump administration, which is expected to take tougher regulatory measures against China, while being proactive toward countries outside the United States. This is because not only the Global South but also US allies and friends are wary of Trump's "US-first" unilateral policies and are preparing countermeasures. China may try to combine geopolitical and economic interests in geopolitical groups such as the EU, the Indo-Pacific region, and the Global South.

As President Trump has been pursuing an aggressive tariff policy against major countries since taking office, China is likely to seek a formal trade deal with the US that comprehensively addresses bilateral issues rather than bilateral negotiations on individual issues, hoping that the momentum of the tariff policy will be weakened by the backlash and countermeasures from major countries, thus creating a favorable bargaining environment for China.

Moreover, on February 19, the New York Times reported that President Trump is eyeing a bigger and better trade deal with China. According to current and former Trump advisers, the president wants to strike a wide-ranging deal with Chinese President Xi Jinping that goes beyond adjusting trade relations. This could include Chinese purchases of US goods and investment in the US, nuclear weapons security, and some commitments to eliminate Chinese overcapacity.

While there are few expectations that the US-China negotiations will go smoothly, it will be interesting to see if there will be an agreement on Chinese investment in the US. While the US may not be able to embrace Chinese investment on a large scale due to domestic political conditions, it is possible that sectors that do not pose a risk of technology leakage (i.e., areas

of Chinese technological advantage) could be agreed upon in terms of job creation and technology utilization. Since China wants to enter the US market in industries such as solar, electric vehicles, and batteries, where it has comparative advantages, it is likely to be interested in joint ventures with a minority stake or technology licensing. In the past, China has pursued a strategy of market exchange and technology acquisition, so preparations for the opposite situation are relatively predictable.

In the Trump 2.0 era, with its many possibilities and uncertainties, South Korea must consider the impact of a “a bigger and better trade deal” between the US and China as it develops a negotiation strategy to counter US prioritization. Even if the US-China agreement has many limitations, some of the agreements could have significant implications for South Korea's economic security. In a February 27, 2025 article, *The Economist* analyzed that “the hierarchy of the new system Trump is creating has the US at the top, followed by countries such as Russia, China, and Saudi Arabia, which have useful resources and strong leadership positions, and weak allies that are dependent on the US at the bottom.” This has significant implications for South Korea, which must find ways to utilize China's geopolitical bypass strategy in partnership with “like positioned” countries. [KIEP](#)