POLICY OUTLOOK

The Contours of U.S.-China Relations in the Trump 2.0 Era

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Donald Trump's return to the White House has reignited debates about the future of U.S.-China relations, a cornerstone of global geopolitics. His first term saw the relationship defined by escalating trade tensions and a sharp departure from traditional diplomacy, setting the stage for the Biden administration's hardline, bipartisan approach to Beijing. As speculation mounts, this Policy Outlook delves into the potential trajectory of U.S.-China relations under the second Trump presidency, drawing from his past policies, campaign rhetoric, anticipated key appointments, and insights from the Heritage Foundation's Project 2025 Document. By drawing on these sources, this work aims to provide a thoughtful exploration of the economic and diplomatic strategies that may influence this important bilateral relationship.

Introduction

Analyses and projections regarding the potential foreign policy outlook of a second Trump administration have intensified as former President Donald Trump positions himself for a return to the White House following the upcoming presidential election. Given Trump's characteristically unpredictable, personalist, and transactional approach to foreign policy, such development is anticipated to carry profound implications across a range of critical domains. Among these, the trajectory of U.S.-China relations over the next four years stands out as a particularly consequential issue. During Trump's first term, U.S.-China relations were defined by escalating trade wars, a dynamic that has since evolved into a bipartisan consensus under the Biden administration's continuation of assertive China policies.

To gain a nuanced understanding of how this relationship might unfold in a potential second Trump term, it is imperative to examine several key elements: the track record of the Trump administration's first term (2017–2021), the rhetoric employed during the presidential campaign, the profiles of potential appointees likely to shape policymaking in a second administration, and insights derived from the Project 2025 report by the Heritage Foundation, which—while not officially endorsed by Trump's campaign—offers valuable perspectives on his prospective policy priorities. This Policy Outlook draws on these sources to assess the potential trajectory of U.S.-China relations over the next four years, focusing on emerging policy directions in the economic and diplomatic spheres.

The First Trump Presidency and the U.S.-China Relations

The Trump administration's first term represented a critical juncture in the evolution of U.S.-China relations, marked by significant shifts in bilateral dynamics and the period witnessed the escalation of trade disputes, with unilateral tariff increases and corresponding retaliatory measures severely undermining the MFN (Most Favoured Nation) and PNTR (Permanent Normal Trade Relations) frameworks established following China's accession to the WTO in 2001. Concurrently, U.S. arms sales to Taiwan experienced a notable surge, while China's expanding military presence in the South China Sea was met with assertive U.S. naval operations to counter Beijing's strategic ambitions. The 2017–2021 period underscored a marked intensification of U.S. scrutiny and strategic focus on China.

1. Tariffs as a Tool for Competition: U.S.-China Trade War 1.0

During the first Trump presidency, the US-China trade war marked a profound realignment in global trade networks, rooted in longstanding concerns over trade imbalances, intellectual property theft, and China's state-driven economic policies. The conflict began in March 2018 with the U.S. imposing 25% tariffs on steel and 10% on aluminium imports, including those from China, citing national security concerns. In July 2018, the U.S. escalated tensions with 25% tariffs on $34 billion worth of Chinese goods, which was quickly followed by an additional $16 billion in August. China responded proportionally, targeting key U.S. exports such as soybeans, automobiles, and energy. By September 2018, the U.S. further imposed 10% tariffs on $200 billion of Chinese imports, later increasing them to 25% in May 2019, while China retaliated with tariffs on $60 billion in U.S. goods.

The trade war extended beyond tariffs, with the U.S. blacklisting Chinese technology firms like Huawei in 2019, restricting their access to critical U.S. components and citing national security risks. The January 2020 "Phase One" agreement temporarily eased tensions, with China committing to purchase $200 billion in U.S. goods and services over two years while pledging structural reforms in intellectual property protection and currency practices. In return, the U.S. suspended new tariffs and reduced some existing ones. However, by the end of Trump's term, China had fulfilled only about 57% of its Phase One commitments, a shortfall exacerbated by the regressive impacts of the pandemic. This period solidified a U.S. strategy of economic decoupling and heightened scrutiny of China's trade practices, leaving a legacy of strained bilateral relations and lasting disruptions in global supply chains.

2. The U.S-Taiwan-China Triangle

During the Trump administration's first term, Taiwan emerged as a pivotal issue in the evolving dynamics of U.S.-China relations. Shortly after his electoral victory, President Trump received a congratulatory phone call from Taiwan's President Tsai Ing-wen. This unprecedented communication marked a significant departure from longstanding U.S. policy under the 1979 Taiwan Relations Act, which discouraged direct contact between American presidents and their Taiwanese counterparts to avoid antagonising Beijing. China perceived the call as a deliberate effort by Taiwan to challenge the One China Policy framework, exacerbating tensions in an already fraught bilateral relationship.

The Trump administration's Taiwan policy was shaped by its broader framing of China as a strategic rival, particu-

larly in the context of global power competition. The U.S. sought to bolster Taiwan's defence capabilities as part of a broader strategy to counterbalance China's military and economic rise. Arms sales to Taiwan reached unprecedented levels during Trump's tenure, totalling $18.27 billion between 2017 and 2021—the highest since U.S.-China normalisation in 1979. Major deals included $8 billion worth of F-16 fighter jets, advanced missile systems, Abrams tanks, naval mines, coastal defence equipment, electronic warfare systems, and logistical and training support. These transactions reflected a deliberate effort to modernise Taiwan's military and deter potential aggression from Beijing.

In parallel, the administration adopted a firm stance against China's territorial claims in the South China Sea, rejecting nearly all of Beijing's claims under international law. This position was reinforced by an increased tempo of naval exercises in the region, often conducted alongside key allies such as Japan and Australia. These military moves were mostly framed by the U.S. posture of protecting the freedom of navigation in international waters.

Despite these military advancements, progress in non-military aspects of U.S.-Taiwan relations during this period was less pronounced. The Trump administration did not pursue a free trade agreement with Taiwan, reflecting broader concerns over trade imbalances. Taiwan's dominance in the global semiconductor industry—a vital sector for the U.S. economy—was perceived as contributing to America's trade deficit, a theme that Trump later emphasised during his 2024 re-election campaign.

Toward the end of Trump's tenure, Secretary of State Mike Pompeo announced the lifting of longstanding restrictions on high-level engagements between U.S. and Taiwanese officials. This policy shift marked a significant escalation in the symbolic and diplomatic support extended to Taiwan, further straining Sino-American relations. In summary, during its first term, the Trump administration's Taiwan policy combined assertive military backing through increased arms sales with a strategic challenge to China's maritime ambitions in the South China Sea. However, Trump's reluctance to deepen economic engagement with Taiwan highlighted a tension between geostrategic priorities and trade policy. Collectively, these actions afforded Taiwan a period of relative security while intensifying U.S.-China rivalry across multiple domains.

Prospects for Trump 2.0 Era

To understand the course of the relationship between the U.S., China, and Taiwan in the second Trump era, it is useful to examine the profiles of the cabinet members selected for the new administration, some excerpts from the Project 2025 Document, and Trump's pre-election rhetoric during the campaign.

1. Agency and Policy Orientation: A Team of China Hawks

Regarding the course of U.S. foreign policy toward China, the first name to deep dive into is Senator **Marco Rubio**, recently appointed as Secretary of State in the second Trump administration, has long been a vocal critic of China, carving out a reputation as one of Washington's most hawkish policymakers on Beijing. Throughout his tenure in the Senate, Rubio has consistently highlighted China's human rights abuses, particularly regarding the Uyghur minority in Xinjiang, its erosion of Hong Kong's autonomy, and its aggressive military posturing in the Indo-Pacific. A staunch advocate of economic decoupling, he has championed legislation to reduce U.S. reliance on Chinese supply chains, particularly in critical sectors like semiconductors and pharmaceuticals. Rubio's stance is shaped by a broader belief that China's authoritarian model poses a systemic challenge to liberal democracies and U.S. global leadership.

In 2020, Senator Marco Rubio was among 11 Americans, including six lawmakers, sanctioned by China for what Beijing described as "behaving badly on Hong Kong-related issues." At the time, Rubio was widely recognised, alongside Senator Ted Cruz (R-TX), for his outspoken support of pro-democracy protests in Hong Kong and his vocal criticism of China's human rights violations in Xinjiang. These positions were pivotal in shaping the legislative and policy measures that laid the groundwork for sanctions targeting Chinese officials. Additionally, Rubio, in collaboration with Representative John Moolenaar (R-MI), sent a letter to Secretary of Defense Lloyd Austin recommending the blacklisting of the Chinese industrial battery company CATL. This proposal also reflected Rubio's broader strategy of advocating for restricting U.S. technological exports to China, a stance firmly rooted in national security concerns. Notably, he emerged as a leading figure in the congressional push for a nationwide ban on TikTok, working assiduously to secure bipartisan support for the initiative.

Throughout his tenure in the Senate, Rubio's legislative record reveals a consistently hardline, pro-Taiwan position, distinguishing him from the more transactional America First framework of the Trump administration. In 2023, Rubio co-sponsored the *Taiwan Relations Reinforcement Act* with Senator Jeff Merkley (D-OR), advocating for the elevation of diplomatic relations with Taiwan and increased U.S. support. That same year, he introduced the *Taiwan Peace through Strength Act*, which sought to expedite arms sales to Taiwan as a deterrence measure against Chinese aggression. Furthermore, Rubio called for renaming the Taipei Economic and Cultural Representative Office (TECRO) to the Taiwan Representative Office, emphasising the strategic importance of reinforcing de facto diplomatic ties between the United States and Taiwan. Given this background, his tenure as Secretary of State will likely empha-

sise a hard-liner orientation to counter Beijing's economic and geopolitical influence.

The second key official in the upcoming Trump presidency is **Mike Waltz**, National Security Adviser of the administration. As a retired Green Beret, Waltz co-chairs the Congressional Caucus on India and Indian-Americans. Waltz is also known as a China hawk who considers China an existential threat to U.S. national security. He currently serves in the House China Task Force and established a reputation as a hawkish critic of China. He has consistently advocated for measures to counter Beijing's influence across multiple domains. Waltz was a vocal proponent of the U.S. boycott of the 2022 Beijing Winter Olympics, citing China's human rights violations in Xinjiang and its lack of transparency regarding the origins of COVID-19. As chairman of the House Armed Services Subcommittee on Readiness, he has pushed for strengthening U.S. military capabilities in the Indo-Pacific to deter Chinese aggression. Additionally, Waltz has expressed concerns over Chinese espionage, intellectual property theft, and influence in U.S. academic and cultural institutions. His approach emphasises securing critical supply chains, countering China's military and economic expansion, and reinforcing Asian alliances such as the U.S.-India partnership to challenge Beijing's strategic ambitions.

Thirdly, **John Ratcliffe** emerges as a pivotal figure in the prospective Trump administration, potentially serving as CIA Director. Ratcliffe's policy stance aligns closely with that of prominent "China hawks" such as Marco Rubio and Michael Waltz. His views on China are well-articulated, notably in a December 2020 article for the Wall Street Journal, where he stated:

"Beijing intends to dominate the U.S. and the rest of the planet economically, militarily and technologically. Many of China's major public initiatives and prominent companies offer only a layer of camouflage to the activities of the Chinese Communist Party."

Similarly, in an interview with Axios, Ratcliffe asserted:

"The People's Republic of China poses the greatest threat to America today and the greatest threat to democracy and freedom worldwide since World War II."

These remarks are critical in understanding Ratcliffe's likely priorities and approach as CIA Director. His tenure would likely emphasise a strategic shift toward intensified intelligence operations focusing on China. This would encompass not only the monitoring of the People's Liberation Army's military activities but also extend to critical domains such as technology and economics.

Ratcliffe's position on Huawei further underscores his commitment to countering perceived Chinese threats. He explicitly conveyed to European allies that the United States would limit critical intelligence sharing unless their ties with Huawei—viewed as an instrument for Chinese

intelligence gathering—were reconsidered. Given these considerations, it is reasonable to conclude that Ratcliffe's appointment would reinforce the Trump administration's anti-China posture, underscoring his alignment with a broader strategic framework to counter Beijing's global ambitions.

2. Trump 2.0 Era: Competition and Confrontation in All Aspects

The Project 2025 document outlining policy recommendations for a Republican administration emphasises that full-scale competition with China is no longer a choice but a necessity and must be pursued across all domains. The document broadly critiques the previous administration's strategy of "compete where we must, but cooperate where we can," labelling it a failure. On the military front, the document underscores the threat posed by China to Taiwan and U.S. allies in the region, calling for a systematic reversal of this threat. It advocates for a collective defence model based on burden-sharing to counter China's aggression around the First Island Chain.

In the economic domain, the recommended policies stress that the issue extends beyond trade and constitutes a national security challenge, characterising it as "economic aggression" by China. The document calls for a hard-line stance on tariffs, proposing measures to decouple Chinese companies from investments in the U.S. and American companies from investments in China, with incentives to facilitate this decoupling. A notable scenario mentioned is the Trump administration's pre-election plan for a 60% tariff, signalling a radical shift in the economic confrontation with China. This approach is significantly more aggressive than the initial Trump-era tariffs of 7.5-25%. Moreover, China's economy, strained by its property market crisis, mounting local debt, weak consumer demand, and declining prices, is less resilient than it was during the first Trump administration. Such economic conditions suggest a new trade war could devastate China's export- and production-driven economic model.

China, however, is expected to counteract this by strengthening ties with the European market, anticipating that the EU might not align with U.S. trade wars as enthusiastically, given that a policy of complete decoupling is hard to pursue. In response, Trump could leverage his deep disdain with NATO to pressure the EU into adopting policies favouring U.S. interests, further complicating China's economic position. Notably, while revoking China's PNTR status requires Congressional approval, recent bipartisan consensus on deepening strategic competition with China suggests such measures could gain legislative traction and make the case even more difficult for China, which has extensively benefited from the free trade principles since its membership to WTO.

In the upcoming Trump presidency, key areas identified as part of the national security agenda—such as high-tech industries, defence, cybersecurity, electronics, and IT—may face tighter trade restrictions or even individual-level sanctions and close monitoring. For instance, the new Trump administration might revive the China Initiative (terminated under the Biden administration), placing Chinese researchers and academics in the U.S. under surveillance. Similarly, sector- and company-specific policies, as seen in the Huawei case, could be detailed to address corporate espionage concerns.

The new administration is expected to adopt a highly defensive posture economically, particularly in the semiconductor sector. Taiwan, which supplies 60% of global semiconductors and 90% of the most advanced ones, is central to this strategy. Trump views Taiwan as a competitor appropriating high technology from the U.S. A transactional approach could emerge, with Trump leveraging Taiwan's reliance on U.S. support against Chinese threats to extract maximum benefit. A recent example is TSMC halting sales to China following a U.S. Department of Commerce order after TSMC chips were found in Huawei's AI offerings. This case reflects a policy direction that could amplify under Trump. The CHIPS and Science Act introduced during Biden's tenure in 2022 could be sustained and expanded under a renewed Trump administration.

Beyond technology and trade, Taiwan holds geopolitical significance in U.S.-China competition. Over the next four years, it will be pivotal in shaping Trump's China policies. While Trump's America First principle might lean toward isolationism, potentially creating opportunities for China to act on its ambitions to annex Taiwan, such an outcome is unlikely given the hawkish stance of Trump's potential cabinet. Pursuing the "America First" doctrine involves timing and strategising the proper conditions. The first two years of the new administration may witness the adaptation of this principle, but after that, the U.S. foreign policy would not disregard the strategic importance of Taiwan to the U.S. security architecture. Accordingly, Trump's prospective course of action concerning Taiwan could revolve around the following premises:

■ Expand arms sales, focusing on more sophisticated weapons to deter Chinese aggression.

■ Develop a collective security model with Asia-Pacific allies through emphasising strict burden-sharing.

■ Increase joint naval exercises with allies and strongly reject China's maritime claims in the South China Sea.

A distinguishing feature of these policies would be Trump's characteristic unpredictability, a deliberate strategy to prevent adversaries from discerning his true intentions. This "madman theory" approach could deter China from taking sudden actions by exploiting uncertainty as a leverage factor. In the field of international relations, this calculated unpredictability stands as one of the most definitive elements of Trump's policy framework.

Conclusion

In sum, the trajectory of U.S.-China relations under a second Trump administration promises to be one of heightened competition and strategic confrontation. With an increasingly hawkish team and a policy framework that demands full-scale economic decoupling and intensified military support for Taiwan, the U.S. is poised to take a more aggressive stance in countering China's rise. However, while Trump's transactional and unpredictable foreign policy could potentially disrupt China's ambitions, it also risks further destabilizing global markets and diplomatic relations. The coming years will reveal whether this intensified competition ultimately leads to greater geopolitical stability or escalates into a more confrontational global order.

Chip tensions rise in US-Taiwan-China relations ahead of Trump administration

With Donald Trump's election victory in the US raising anticipation over the country's upcoming moves in chip manufacturing, developments continue to unfold in the China-US-Taiwan triangle

Share of global chip production by country (2023)

China 8%
South Korea 12%
US 12%
Taiwan 68%

- A chip produced by Taiwan Semiconductor Manufacturing Company (TSMC) was found in an AI processor from Huawei, which is on the US "trade restrictions list"

- TSMC announced it would halt sales of 7-nanometer or smaller chips to Chinese chip design companies

2027 forecast

Taiwan's production capacity: Decrease from 68% to 60%
US chip production: Increase from 12% to 17%

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