

Opinion **US-China relations**

Xi has a plan for retaliating against Trump's gamesmanship

China is marshalling its forces for long-term competition against an America that it believes is divided and in decline

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China's Xi Jinping with Donald Trump during his first term as US president in 2017. Beijing believes it now understands Trump's approach and can manipulate his administration © Getty Images

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If Donald Trump's China policy is defined by [uncertainty and contradiction](#), Xi Jinping's strategy is defined by clarity and determination. The Chinese president's approach to the US president-elect is not a secret. Beijing has been quite clear since the election about its views and possible responses.

Xi plans not only to respond, but to take advantage of Trump's moves. During Trump's first term, Beijing scrambled to react. It is determined not to repeat that. Xi is well into his preparations and has signalled as much.

Most Chinese analysts were not surprised by Trump's election, linking his comeback to a global tide of populism and nationalism. Beijing believes it now understands Trump's gamesmanship and can manipulate his administration. China's confidence is based on the conclusion — accurate or not — that China in 2025 is different from 2017, and so is the US and the world.

Many Chinese argue that Xi is stronger politically and the economy is more self-reliant and resilient, even amid recent challenges. Chinese analysts view the US

economy as more fragile and American politics as deeply divided. Geopolitically, Beijing sees US influence as declining throughout the global south and Asia — and support for China's vision as rising.

Xi has already signalled that he will treat his ties to Trump as a purely business relationship, albeit Don Corleone style. He won't personally embrace Trump and will retaliate early and hard in order to generate leverage. Beijing in effect rejected Trump's invitation for Xi to attend the inauguration.

But Beijing is also signalling it wants dialogue and is open to a deal to avoid new tariffs. However, the Chinese, who prefer to use back channels, are struggling to find the right one to understand what Trump "really" wants. Beijing's baseline assumption is that Washington and its allies will remain hostile to China for the foreseeable future. Thus, Xi is open to negotiations because he wants some breathing room on the economic front, so China can marshal its forces for a long-term competition.

Beijing remains concerned that Trump's team will focus on deeper economic decoupling, regime change in China and support for Taiwan independence, all as means to contain and destabilise China. Hence Xi's four "red lines" [at a November meeting with President Joe Biden](#) in Peru in a clear message to the incoming administration.

Beijing's planned responses to Trump fall into three baskets: retaliation, adaptation and diversification. Mirroring US policies, Beijing in recent years has created a range of export controls, investment restrictions and regulatory investigations capable of hurting US companies. Beijing is unable to match tariff for tariff, so it will seek to impose costs in ways that inflict maximum pain. For China, failing to retaliate would signal weakness domestically and only encourage Trump.

This has already started. In late 2024, Beijing blocked the export to the US of critical minerals used for chipmaking, squeezed the supply chain for US-made drones, threatened to blacklist a high-profile US apparel company and launched an antitrust probe into Nvidia. By taking such actions, Beijing is previewing its capabilities and creating future bargaining chips.

China's second strategy is adaptation. From autumn 2023, Beijing began a vigorous fiscal and monetary stimulus to help businesses and now consumers. This policy shift is generating some positive, though uneven, impacts. It was certainly badly needed, but its scope and nature were also developed with a possible trade war in mind.

Beijing's third strategy involves expanding its economic ties. It is debating unilateral

tariff cuts on imports from non-US partners. On his Peru trip, Xi inaugurated a deep-water port that could reshape China's trade with Latin America, a key non-US source of food, energy and minerals. In late 2024, Xi also participated for the first time in meetings with the heads of 10 major international economic organisations. His message was clear: China will be the leading force for global economic stability, prosperity and openness, and opposes all forms of protectionism.

Much could go wrong. Beijing's confidence is matched by that of the Trump team. Both sides believe they possess the upper hand, can impose more costs and withstand more pain. The stage is set for a complicated, destabilising dynamic which, at best, results in a ceasefire. And that's only on economic issues, not on Taiwan, the South China Sea, tech competition or nuclear force modernisation. The cold war is starting to look quaint in comparison.

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