



CHINESE FOREIGN POLICY IN 2025: ABSORBING BLOWS & PROFITING FROM OTHERS' MISTAKES

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When it comes to Chinese foreign policy in 2025, decision-makers in Austria and the EU should prioritize three highly topical questions that are at the forefront for China researchers: Will China respond severely to US tariffs? Will China contribute to peace talks in the Russia-Ukraine War? Will China fill the vacuum as the US retreats from global governance leadership? Among other trends in China research, there will be further work on how China's technological and industrial progress—including on electric vehicles, AI, and quantum computing—will impact relations with the US and EU (ReConnect China 2025). Moreover, there will be more research on how integrated the Chinese economy is with the EU and others, and how resilient Europe is in this context (China Horizons 2025). Lastly, among rising regional focal areas, scholars will publish more on China's rise as a research, economic, and geopolitical actor in the polar regions (Funairole et al 2024; Paul 2024).

Following the second Trump Administration's expected initial tariff hikes in 2025, China will first show patience, retaliate with some moderation, and cut its own tariffs for other countries. The leadership in Beijing calculates that Washington will raise tariffs on imports from a range of countries. This has the potential to both damage US relations with these countries and provide an opening for China to profit in trade increases and an improved image as a "free trader" (Jia 2024; Polk 2024b). Beijing's efforts will focus on developing and emerging economies, to further position itself as having their interests in mind and to diversify its trading relations away from the US and its allies. With a view to the US,

China holds out hope for successful personal diplomacy and a deal that may halt the further deterioration of this relationship, or even improve it. China's measures against the US may focus on retaliating against US companies present in China, exporting to China, or importing key components from China. Companies may be listed as "unreliable entities" threatening national security and punished by prohibiting exports to them—i.e. imposing export controls—or prohibiting Chinese entities from buying their products. Beijing has been building a substantial legal framework for this purpose since 2019 (Polk 2024a; Squire Patton Boggs 2025). Such retaliatory policies would mirror recent steps, as when China listed 28 US entities in early January 2025, who can no longer import dual-use items from China. The extent of the term "dual-use" is not clearly defined, and listed entities include General Dynamics, Boeing Defense, Lockheed Martin, and Raytheon (CBS 2025; Reuters 2025).

The state of China's economy will also reduce Beijing's appetite for a quick escalation of the tariff spiral. Economic growth has not bounced back as desired after the COVID lockdowns, because the government prioritized reducing



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risk to the overall financial system instead of stimulating growth (Huang 2024). Rules on the real estate market were tightened and the government allowed for big defaults in 2020/2021, followed by an extended crisis in the sector with spillover to local government investment and consumer confidence (Rosen et al 2024). Attempts at reinvigorating consumer confidence and raising domestic consumption through stimulus packages from 2023 to early 2025 have not yet been sufficient. These measures may be a good starting point for reforms, but it will take time for China's economy to become less fragile (García-Herrero 2024; Tobin and Liu 2024). Further stimulus will follow, but Beijing feels constrained by public debt levels that have already surpassed those of the EU when taken as a whole (Fleck 2024; IMF 2025). In these circumstances it is difficult for China to stomach the rapid disappearance of export revenues from the key US market.

The continued US-China trade war will pose a greater challenge to the EU going forward than during the first Trump Administration. Faced with tariff hikes in the US, Chinese products will again be rerouted to Europe and other markets targeted by European exporters. This time around, Chinese companies are further up the value chain, however, and in more sectors than before, including automobiles. Pressures on the profit margins of already struggling companies may lead to a series of defaults in Europe (Martuscelli 2024). The EU will likely test the effectiveness of a series of legal instruments it has built up since 2018

to defend its economy, while engaging in diplomatic efforts to limit escalation. Brussels will seek to expand its network of trade agreements with other economies—Malaysia, Indonesia, Australia, and the members of the Mercosur group of states (including Brazil and Argentina)—to decrease dependence on the US and China. It will also pursue improved trade with the UK and new partnerships with African economies. Moreover, the EU will seek to uphold the WTO as much as it can and attempt to position itself as a leader of reforms that can entice others back into negotiations (García Bercero, Mavroidis and Sapir 2024).

As the second Trump Administration will profess to push for a negotiated peace between Russia and Ukraine, the Chinese government will also increase posturing as an actor for peace. Beijing published a position paper on political settlement in the Russia-Ukraine War in 2023 and established the “Friends of Peace” group with Brazil in 2024 (USCC 2024). The Chinese side remained vague, embraced contradictory notions, and did not commit to taking on responsibility in prospective negotiations to end the war. Beijing's audience for these statements has been the “Global South”, developing nations who it wants to convince that China is a more responsible and peaceful great power than the US. Once Donald Trump very publicly demands peace, China will not want to be outdone.

Aside from posturing, two developments might lead to real Chinese interest in contributing to peace talks. Firstly, Europe will grow more important for China's economy because of upcoming US tariffs and further US-China decoupling. It will also come under strong US pressure to align on China policies. Should Beijing want to avoid such alignment, it needs to be viewed as constructive by the European side on Russia-Ukraine peace talks. Secondly,

North Korea's rapidly increasing involvement in the war threatens China's strategic interests (Freeman and Kuo 2024). This development involving China's sole treaty ally darkens European perceptions of China's role. Perhaps more importantly, after South Korean opinion polls showed majority support for nuclear armament or sharing, prominent academics at South Korean universities now explicitly recommend such policies in Foreign Affairs (Kelly and Kim 2025). What is more, the US might have a president who acquiesces to or even encourages South Korean nuclear armament.

While the second Trump Administration will withdraw from or cut funding for international treaties and organizations in 2025, China will be happy to fill the void. In contrast to his first term, Donald Trump will not be moderated by Congress, which is fully Republican controlled. The US will adopt deeper cuts to the funding of more UN organizations and the overall US contribution than in the first Trump Administration, such as for the UN Population Fund and the UN Relief and Works Agency for Palestine (Webber 2024). It is also withdrawing completely in some instances. Donald Trump announced immediately after assuming office that the US will again withdraw from the World Health Organization and the Paris Climate Agreement-UNESCO and other organizations may follow.

China will gladly use the space left by the US to establish a global leadership role and shape a new international order (Matthews 2024). It has laid claim to leading reforms of global order since 2017 and has formulated key parts of its vision in speeches and white papers since 2021. Beijing aims to convince countries worldwide, especially developing countries, that it is a more responsible actor than the US, that its new order would provide more development and better security than the current one, and that a new "dialogue of civilizations" should

replace the promotion of competitive electoral democracy as well as civil and political rights. In its effort to attain these goals, China is certainly willing to pay a few billion US dollars more into the UN budget for good PR and a further expansion of its burgeoning influence (see also Lam and Fung 2024). Taking up the mantle of leading the fight against global warming, as called upon by leading UN officials (Schonhardt and Weise 2024), comes with the added benefit of painting China as not only responsible but also technologically dominant (Luhn and Fischetti 2024; Matthews 2024). This renders it more likely that Beijing will set agendas, standards, and norms, and serve as a go-to technology partner.

European decision-makers should recognize China's interest in first negotiating with the new Trump Administration and China's constraints due to myriad economic problems but should still expect an intensified

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US-China trade war that poses more difficult challenges to Europe than before. They will need to engage in diplomatic efforts to contain escalation in the US-China-EU trade triangle, but also to expand trade with other economies. On the Russia-Ukraine War, accelerated US-China decoupling and the entry of China's sole treaty ally, North Korea, into the war will serve to influence Chinese responses to the conflict. European leaders should explain to Beijing that China offering constructive and impactful contributions to a negotiated peace are key to the EU withstanding US pressure on China policy alignment. As

China looks to fill the global governance void left by the US, the EU and its member states should move proactively to build ties and find common interests with new developing country partners in the multipolar world order.

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