

# U.S.-China Relations in the New Trump Era

by Oriana Skylar Mastro



Police conduct border patrol in Altay, Xinjiang, China on September 29, 2025. CFOTO/GETTY IMAGES

**U**.S.-China relations have reached an all-time low. From trade disputes and technological rivalry to China's partnership with Russia and regional flashpoints like Taiwan, the relationship is fraught. In May 2025, U.S. secretary of defense Pete Hegseth warned at the Shangri-La Dialogue that "the threat China poses is real, and it could be imminent." Chinese leader Xi Jinping often warns that "great changes unseen in a century" are coming, a euphemism for the rise of China and decline of the West. This mutual suspicion and hostility marks a sharp deterioration from the engagement and cooperation that defined much of U.S.-China relations for the past four decades.

The downward spiral began during the first Trump administration. In 2018, President Donald Trump launched a tariff-based trade war, imposing punitive taxes on tens of billions of dollars of imported Chinese goods to counter what he called China's "economic aggression." Beijing retaliated with its own tariffs, leading to repeated escalation. The Trump administration also targeted Chinese tech giants, blacklisting

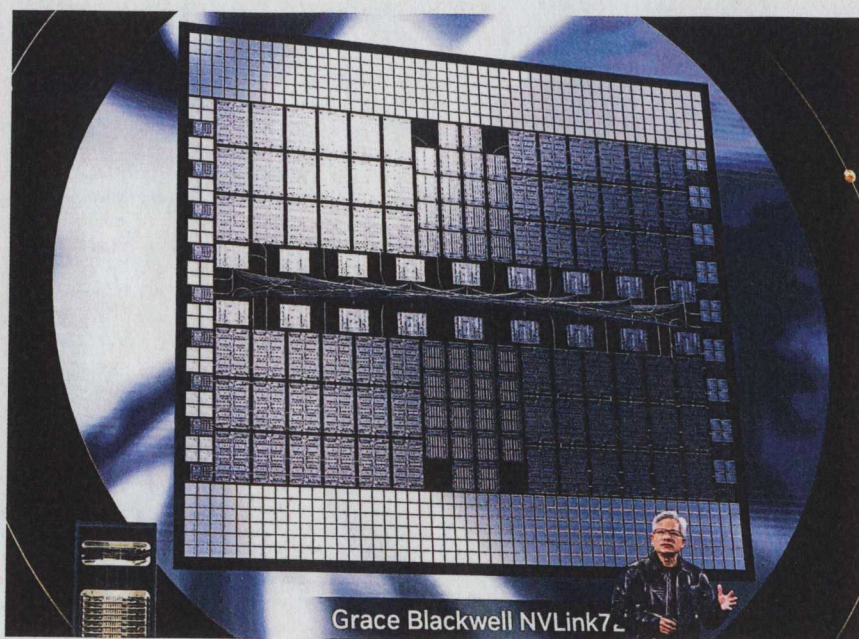
Huawei and restricting its 5G equipment abroad on national security grounds. Areas of past cooperation virtually vanished as confrontation intensified to investment restrictions, and diplomatic sparring over Hong Kong, Xinjiang, and the COVID-19 pandemic. By 2020, senior U.S. officials openly labeled China "the greatest threat to America" and accused Beijing of genocide in Xinjiang.

---

**ORIANA SKYLAR MASTRO** is a Center Fellow at the Freeman Spogli Institute for International Studies and a courtesy assistant professor of political science at Stanford University. She is also a nonresident scholar at the Carnegie Endowment for International Peace and a member of the Council on Foreign Relations. Mastro serves in the U.S. Air Force Reserve, currently as deputy director of Reserve Global China Strategy at the Pentagon, and was recognized as Individual Reservist of the Year in 2016 and 2022. She is the author of *Upstart: How China Became a Great Power* and *The Costs of Conversation*, winner of the APSA International Security Section Best Book Award.

---





Nvidia CEO Jensen Huang addresses participants during the keynote address at CES 2025 in Las Vegas, Nevada, on January 6, 2025. NURPHOTO/GETTY IMAGES

Joe Biden criticized Trump's China tariff tactics during the 2020 presidential campaign, but once in office, he built on them. To many strategists' surprise, his administration pursued an equally tough approach, maintaining sanctions on Chinese officials over Hong Kong and Xinjiang abuses, adding dozens of Chinese firms to export blacklists, and tightening limits on U.S. investments in Chinese defense-linked companies. By 2022, his administration had imposed sweeping export controls to deny China advanced semiconductor technology. Biden's national security strategy echoed the Trump administration's assessment of China as the foremost long-term challenger to the U.S.-led international order. He rallied U.S. alliances like the North Atlantic Treaty Organization (NATO) and the Quad (a diplomatic partnership between the U.S., Japan, India, and Australia), and launched new initiatives like AUKUS, a trilateral security pact between Australia, the United Kingdom, and the U.S., to present a more united front against Beijing and to strengthen defense and

technological collaboration. Biden's China strategy even had a domestic component: by investing in industrial policies, he hoped to liberate America from its reliance on Chinese factories.

Will Trump's second administration keep America on this same path with China? His first term offers some clues into the second's China strategy, but significant differences have emerged. In his second term, Trump has continued to tighten export controls on Chinese technology firms—targeting advanced sectors like semiconductors and artificial intelligence (AI)—though enforcement has been inconsistent, as seen in the temporary reversal of a ban on Nvidia's H20 chip to support trade talks. Such bargaining chips, meanwhile, underscore his eagerness to secure short-term victories in the trade war. On Taiwan, his approach has been more transactional than in his first term, pushing for greater arms sales and defense spending from Taipei, while blocking symbolic diplomatic gestures in support of Taiwan, signaling a pragmatic shift from principled support to dealmaking.

While each of the past three administrations differs in their execution of strategic competition with China, the strategic direction of competing with China to maintain U.S. dominance in

the international system remains the same. Indeed, the main divergence among policymakers and strategists center on means—how to best compete with China—which stems from deeper differences in risk aversion, threat assessments, and American identity.

In this chapter, I will describe the three main issues plaguing U.S.-China relations and their policy manifestations: economic competition (tariffs and export controls), military competition (modernization and the Taiwan issue), and political competition (national resilience and information manipulation). I will provide my characterization of China's strategic approach to competition with the U.S., and each section will identify the U.S. policy options as well as their tradeoffs. By examining U.S. rhetoric, behavior, and declared policies to date, I argue that the second Trump administration is focused on decoupling with China, accepting high costs and short-term risks of conflict in exchange for longer-term independence. The way Trump is pursuing this strategy, however, is likely to make the U.S. less competitive overall, creating a greater U.S. reliance on other nations to protect its national interests.

## Economic Competition in U.S.-China Relations

The economic relationship between the U.S. and China is a central component of their bilateral relationship. U.S. exports to China support nearly one million American jobs across agriculture, manufacturing, and technology, particularly from the sale of soybeans, nuts, pork, aircraft, and semiconductors. In 2023, U.S. exports to China totaled \$145 billion in goods and \$42 billion in services, which yielded an estimated contribution of about 0.85% of U.S. gross domestic product (GDP). U.S. trade with China has boosted household purchasing power—saving families hundreds of dollars annually—and provided major revenue streams for firms like Tesla, Apple, and Nvidia. By 2024, S&P 500 companies earned 6% of their revenue from China, with total sales reaching \$1.2 trillion, far exceeding the bilateral goods deficit.

Before you read, download the companion **Glossary** that includes definitions, a guide to acronyms and abbreviations used in the article, and other material. Go to [www.fpa.org/great\\_decisions](http://www.fpa.org/great_decisions) and select a topic in the Topic Resources section.



While the U.S. has benefited from economic ties with China, concerns over unfair practices and their impact on U.S. competitiveness, prosperity, and power have grown. Since China's 2001 entry into the World Trade Organization (WTO), Washington has objected to forced tech transfers, intellectual property violations, trade surpluses, manufacturing dominance, currency manipulation, and large U.S. debt holdings. As China's economic power expanded and it used coercion in places like the Taiwan Strait and the South China Sea, many American observers saw the risks begin to outweigh the rewards.

As a result, the economic strategy toward China shifted towards protectionism, with the first Trump administration focused on containing China's growth, levying tariffs of 10–25% on approximately \$360 billion worth of Chinese imports. Rhetorically aimed at reducing the U.S. trade deficit, these tariffs were considered justified as retaliation for China's unfair trade practices with regard to intellectual property and subsidies. China countered with its own tariffs on U.S. exports and hinted at leveraging its chokehold on the global supply of rare earth elements.

Trump's tariffs produced a partial truce in January 2020 with the signing of the Phase One trade deal, wherein China agreed to buy an additional \$200 billion of U.S. goods. (China purchased

only 60% of the promised amount.) But the Phase One deal had the lasting impact of locking in U.S. tariffs of around 19%, and China continuing its retaliatory duties of around 20%. When Biden took office in 2021, he retained approximately \$360 billion of Trump's tariffs and went on to raise duties on several strategic sectors. Tariffs on Chinese electric vehicles, for instance, were quadrupled, reaching 100%, while those on steel, aluminum, critical minerals, and electric vehicle batteries rose to 25%, and tariffs on solar cells increased to 50%.

The Biden administration also doubled down on the first Trump administration's approach to export controls. Historically, the president has mostly used export controls in times of war to restrict military items (e.g., the 1917 Trading with the Enemy Act and the Export Control Act of 1940). Two years into the first Trump administration, however, the U.S. government expanded export controls to apply to dual-use items—items that can be used for commercial or military purposes—such as chemicals and semiconductors. The Trump administration designated semiconductors as a strategic emerging sector in 2017 and went on to target state-connected or state-owned Chinese firms such as Huawei, ZTE, and the Semiconductor Manufacturing International Corporation (SMIC) in an effort to limit Beijing's access to AI-capable

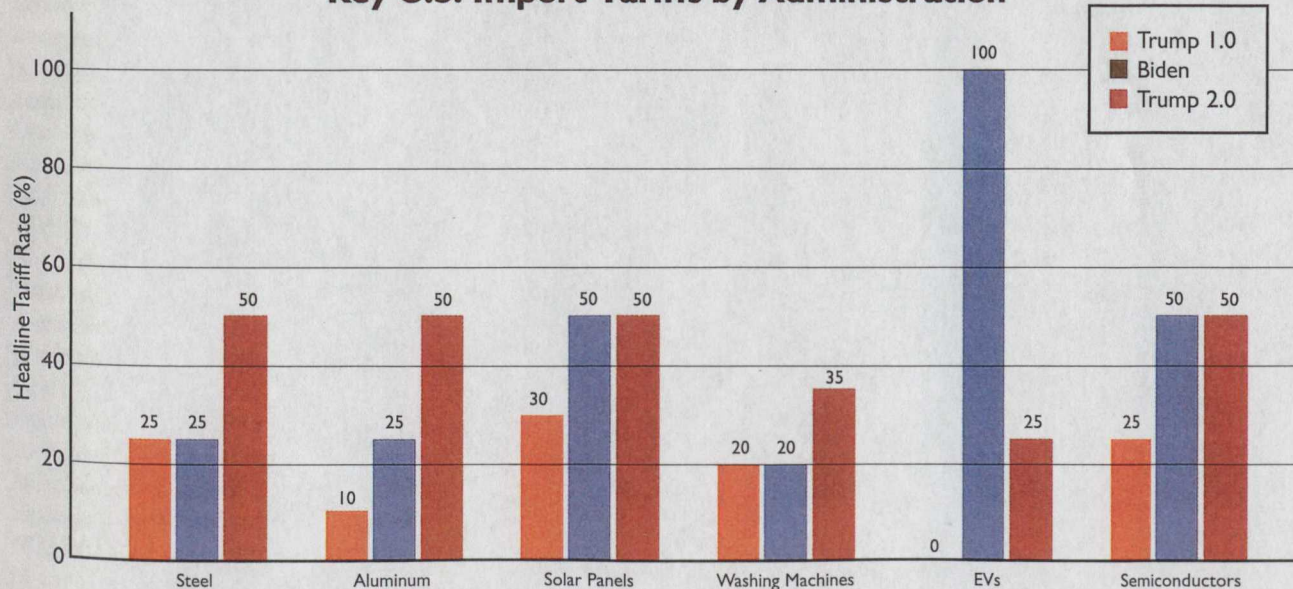
chips and manufacturing equipment.

The Biden administration not only maintained these economic policies but also strengthened them. It imposed more export controls, widening the net of Chinese firms that were targeted, and it encouraged moving supply chains to allied countries ("friendshoring"), particularly to Indo-Pacific countries like Japan, South Korea, and Taiwan. It also passed the CHIPS and Science Act to offer tax incentives and partnerships with private companies in an effort to boost domestic manufacturing. In August 2023, Biden even signed an executive order restricting U.S. investment in China, Hong Kong, and Macau in sectors tied to national security, specifically advanced chips, quantum technology, and AI, with outright bans on military or surveillance-related investments.

The first seven months of Trump 2.0 have seen U.S.-China trade tensions returning to center stage.

In early February 2025, Trump initiated a new wave of actions, beginning with a 10% tariff imposed on all Chinese goods, supposedly as a punishment for China's role in the flow of fentanyl to the U.S. Beijing reacted with tariffs of its own on various products ranging from poultry and dairy products to coal and liquified natural gas. Before a conditional truce came about in May 2025, Trump had increased tariffs on China to as high as 145%. The Trump

**Key U.S. Import Tariffs by Administration**





administration also expanded export controls to biotechnology, claiming that “certain countries are actively pursuing a strategy to exploit these technologies for asymmetric military advantage.”

China has taken a two-pronged approach to the mounting economic pressure. First, it has diversified its export markets and strengthened cooperation with emerging markets in the so-called Global South. Its goal is to expand economic ties with countries through the Regional Comprehensive Economic Partnership (RCEP) agreement and the Belt and Road Initiative (BRI), thereby reducing its over reliance on the U.S. market.

Trade within the RCEP countries has shown steady, although moderate, growth: from January to June 2024, trade among RCEP members reached \$899.36 billion, a 1.59% increase year-on-year, with China’s exports rising 2.52% to \$470.25 billion. While this pace is slower than China’s overall foreign trade growth of nearly 5%, agreements such as RCEP have streamlined trade processes and contributed to stronger export performance within member markets. In 2024, BRI engagement hit a record \$70.7 billion in construction contracts and \$51 billion in investments across countries in Asia,

Africa, Latin America, and the Middle East. By July 2025, China’s exports to the U.S. fell 21.7% year-on-year while exports to the Association of Southeast Asian Nations (ASEAN) rose 16.6%. China is now the top trading partner for 63 Global South countries, up from just 36 in 2013.

China is also attempting to punish the U.S. for its approach to trade. It has filed a WTO complaint and is leveraging the situation to argue that the U.S. is damaging the rules-based international order while China is acting in accordance with its principles. Further, Chinese media sources are highlighting Trump’s tariffs against all countries to argue that Washington is an unreliable partner and its policies are hurting countries, especially those in Southeast Asia (where U.S.-China competition for influence is acute).

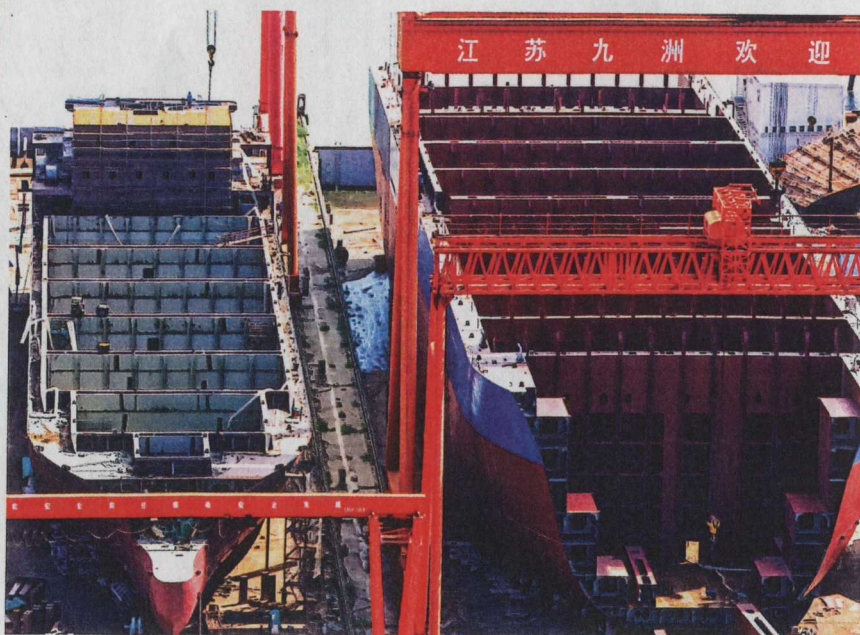
In a trade war, the Chinese government seems confident it has the advantage in relation to the U.S. Two points stand out. First, tariffs and export controls have not crippled the Chinese economy. Since the first quarter of 2025, China’s exports to over 170 countries and regions increased, with wind turbines up 43.2%, lithium batteries 18.8%, shipbuilding 10.8%, and EVs 8.2%. After the implementation of U.S. tariffs in early 2025, China’s trade

surplus increased with 14 other trading partners, which suggests that Chinese trade is successfully diverting to other countries to make up for the loss in trade volume with the U.S. China’s economy expanded 1.1% from April to June 2025, compared to the previous three months, suggesting annual growth of about 4.1%, only slightly below the previous quarter.

Second, U.S. tariffs and export controls have constrained China’s AI infrastructure but not crippled it, as Chinese firms still acquire advanced chips through black markets, transshipment, and loopholes. TSMC reportedly produced two million chips for a Huawei shell company, DeepSeek used Southeast Asian fronts to access semiconductors, and others exploited technicalities like “wafer bridges” to link sanctioned manufacturers with legal importers.

Given the apparent ease and even ingenuity of Chinese firms sidestepping export controls, some analysts argue they are not just ineffective but also counterproductive. Now that the Chinese government has the motivation and support to accelerate the development of AI and chips, the outcome could actually weaken U.S. tech dominance. Since initial export controls were announced, for instance, Huawei and SMIC have collaborated more closely; as a result, Huawei more than doubled its net profit in 2023, and SMIC’s revenue increased 84.6% in 2022.

Trump’s second administration has continued to rely on economic leverage, especially tariffs and selective concessions, in negotiations with China. Trump likely hopes to use economic pressure to gain concessions from China in the form of market access for U.S. companies, for instance, and more U.S. imports. The two countries agreed to a 90-day truce in May 2025; the U.S. reduced tariffs on Chinese goods to approximately 30%, while China lowered its retaliatory tariffs to 10%. Following additional trade negotiations in London in June, Trump announced the U.S. and Chinese tariffs would stay at 55% and 10% respectively, and China would terminate its restriction of rare earth mineral exports. In July, after further trade talks, the U.S.



An aerial view shows a production scene at a shipyard in Yangzhou City, Jiangsu Province, China, on August 31, 2025. NURPHOTO/GETTY IMAGES



lifted chip design software curbs against China, though these can be put back in place at any time.

Although a conditional truce has been reached, and the U.S.-China negotiations have been surprisingly drama-free, U.S. tariffs on China remain well above the pre-2025 levels of approximately 20%, much higher than tariffs on almost any other country. The tariffs have generated revenue for the U.S. government, over \$189 billion in 2025 alone, with projections reaching \$2.2 trillion over the next decade if the tariffs are maintained. However, they have also caused the largest tax hike in modern U.S. history, and consumer prices have risen 2.3% in the short run, which is around \$3,800 in annual household income loss. Real GDP growth for the U.S. is projected to be as much as 0.9% lower in 2025, with long-term losses equivalent to \$100–180 billion annually. Ultimately, Trump's strategy risks trading immediate wins for long-term costs, reinforcing Beijing's confidence in its resilience, and raising serious questions about the sufficiency of transactional bargaining in confronting China's strategic challenge.

### Military Competition

U.S.-China military competition has also ramped up in recent years, in large part because the Chinese military has become more active in the region and more threatening to American partners and allies, including Japan, the Philippines, and Taiwan. Beijing has also become cozier with U.S. adversaries, particularly Russia, and expanded its military footprint, causing U.S. alarm. For example, China has increased Arctic naval deployments and air patrols, prompting Washington to consider increasing its Arctic presence via bases. In June 2025, China's two operational aircraft carriers conducted joint exercises beyond the first island chain in the western Pacific for the first time.

China's military activities have become especially egregious following the May 2024 inauguration of Taiwanese president Lai Ching-te, who China views as a dangerous "separatist." Since May 2024, China's People's Liberation



*A formation of the People's Armed Police Force marches through Tiananmen Square in Beijing, China, on September 3, 2025, as part of a military parade commemorating the 80th anniversary of victory over Japan and the end of World War II. CHINA NEWS SERVICE/GETTY IMAGES*

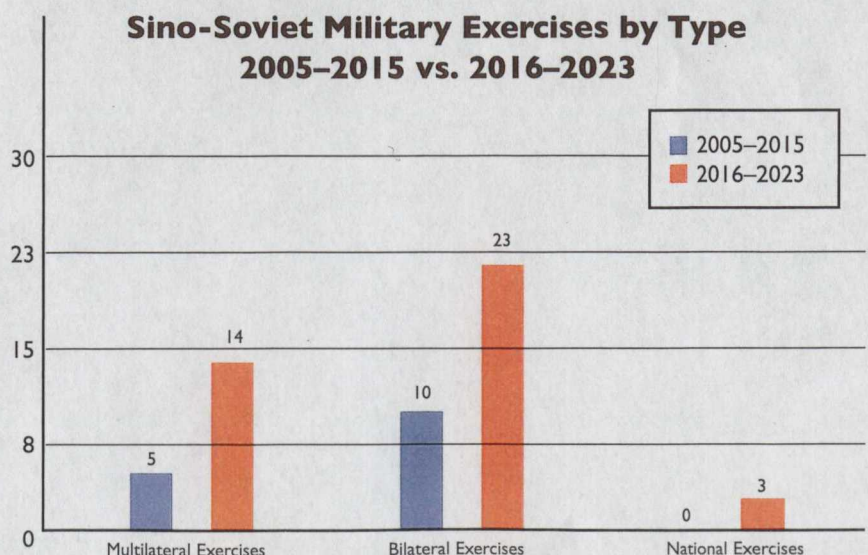
Army (PLA) aircraft have averaged 328.6 air defense identification zone (ADIZ) incursions per month, which is "more than double the average in the previous two years," according to an update published by the Institute for the Study of War and the American Enterprise Institute. The China Coast Guard has also started patrolling and conducting incursions into the restricted waters of Taiwanese-claimed outlying islands, including Kinmen in February 2024 and Pratas Island in February 2025.

Chinese vessels frequently operate near Japan's Senkaku Islands and across the South China Sea, using coercive and gray-zone tactics, most aggressively against the Philippines. Chinese ships and aircraft have rammed Filipino naval, civilian, and research

vessels and harassed them with water cannons and even bladed weapons. Other claimants, such as Vietnamese fishermen near the Paracels in October 2024, have also been targeted. Meanwhile, China has been island-building, adding harbors, runways, missiles, and C4ISR systems, which has further expanded its ability to project power and coerce claimants in the region.

At the same time, despite Russia's invasion of Ukraine, Beijing has increased military cooperation with Moscow, further damaging U.S.-China relations. Out of a total of 84 ground military and paramilitary exercises and patrols since 2003, 26 have been conducted since the start of the Russia-Ukraine War. Recently, the two countries have also participated in

### Sino-Soviet Military Exercises by Type 2005–2015 vs. 2016–2023







*A U.S. Navy air-cushioned landing craft conducts training maneuvers off the coast of Punta Guilarte in Arroyo, Puerto Rico, on September 5, 2025. NURPHOTO/GETTY IMAGES*

each other's national exercises. And cooperation has further expanded with unprecedented actions since 2022, including a joint nuclear-capable strategic bomber aerial patrol that entered the U.S. ADIZ near Alaska in July 2024 and the deployment of a Chinese submarine to the two countries' joint sea drills in August 2025.

Against this backdrop, there has been an uptick in dangerous interactions between China, the U.S., and its allies and partners. U.S. aircraft and ships regularly conduct freedom of navigation operations (FONOPs) throughout the world to ensure open transportation routes, during the course of which there are interactions with foreign militaries. Beginning in the fall of 2021, there was a noted increase in

"unsafe and unprofessional intercepts of U.S." forces in the Indo-Pacific by Chinese forces, with over 180 Chinese reckless maneuvers targeting U.S. aircraft between that fall and October 2023. While a 2024 Pentagon report noted fewer risky PLA intercepts, U.S. forces still face a growing Chinese presence—three naval encounters in Alaska's exclusive economic zone (EEZ), navy contacts near Guam, and unsafe maneuvers against U.S. allies, including Philippine, Australian, and Japanese aircraft in 2025. Beijing has also begun releasing footage of U.S.-China military interactions to accuse the U.S. of "risky" actions.

In response to these developments, the U.S. military has been enhancing its force posture in the region. In Japan,

the U.S. is building out its material and operational capabilities. In March 2025, for instance, the Pentagon began phase one of upgrading U.S. Forces in Japan into a joint force headquarters, and in July 2024 it announced the deployment of newer fighter jets to replace aging aircraft at Misawa and Kadena Air Bases. The U.S. has also gained greater access to the Japanese islands closest to Taiwan, conducting portions of bilateral and multilateral military exercises on the islands since 2024, and hosting the annual Iron Fist amphibious exercises in Japan's southwest islands beginning in 2023.

Since 2014, U.S. basing in the Philippines has been concentrated at five sites strategically located in relation to Taiwan and the South China Sea. In 2023, however, the two countries agreed to add four additional bases, and the U.S. has begun deploying more advanced military capabilities, including the Typhoon missile system in 2024, fifth-generation F-35 fighter jets, and the Navy-Marine Expeditionary Ship Interdiction System (NMESIS) in 2025. The U.S. has also expanded combat exercises around the Philippines.

Meanwhile, the U.S. has been periodically increasing defense spending and focusing greater portions of it on the Indo-Pacific. Since 2022 Congress has required the Department of Defense (DoD) to provide an annual report, called the Pacific Deterrence Initiative (PDI), that explains how the executive branch uses relevant appropriated military funds to accomplish

## U.S. Department of Defense Budget Increases

Purpose	Amount Requested in FY25 (\$ in thousands)	Amount Requested in FY26 (\$ in thousands)
Infrastructure improvement to enhance responsibility and resiliency of U.S. forces (i.e., in Guam, Palau, Australia)	1,436,900	2,663,000
Military construction, navy, and marine corps	490,854	2,191,235
Improved capabilities available to U.S. Indo-Pacific Command (joint and enabling headquarter capabilities)	258,300	647,000
Building the defense and security capabilities, capacity, and cooperation of allies and partners	1,111,200	625,000
Torpedoes and related equipment (anti-surface and anti-submarine subsurface weapons systems)	—	68



congressional goals in the Indo-Pacific related to countering China. Since the fiscal year 2022 (FY22) PDI, there have been significant yearly increases in PDI funding from a \$5.1 billion subset in DoD's FY22 budget request to a \$10 billion subset in the FY26 request.

The second Trump administration is also prioritizing greater defense spending with a focus on the Indo-Pacific, but with slightly different priorities. Although requesting proportionally similar funding as FY25, the Trump administration seems focused on reducing redundant investments in developing exquisite, costly platforms while they increase the quantity requested for capabilities relevant to an Indo-Pacific contingency. For instance, for FY26 the DoD requested fewer F-35 jets compared to Biden's FY25 request (47 jets compared to Biden's 74) and significantly reduced funding for the navy's manned sixth-generation carrier fighter to instead prioritize developing the air force's sixth-generation fighter, the F-47. The administration is also increasing funding for weapons systems, including medium landing ships (LSMs), which the Marines plan to use in the Pacific, and the MQ-25A,

a carrier-based unmanned aircraft used for refueling, intelligence, surveillance, and reconnaissance. The secretary of defense also requested \$2.4 billion to support Taiwan (a 380% increase compared to \$500 million in funds explicitly referencing Taiwan in the DoD FY25 budget request).

China is watching these developments in the U.S. military closely and is using them to emphasize the increasingly competitive nature of U.S.-China relations. While Chinese State Council Defense White Papers published from 1998 to 2015 critiqued U.S. arms sales to Taiwan and the negative effects on regional security of increasing U.S. military engagement in the Asia-Pacific, they also frequently noted dialogue and cooperation between the two militaries. The State Council's 2019 Defense White Paper, however, articulated that "international strategic competition is on the rise" and explicitly attributed this downturn to U.S. national security and defense strategies. It has not released any additional Defense White Papers since, but in 2023, Xi Jinping told U.S. business executives that the U.S. must choose whether the countries are "adversaries or partners," overtly

implying the two countries are adversaries so long as the U.S. views China as a "pacing threat."

On the American side, rhetoric has also intensified in recent years. Barack Obama's 2015 National Security Strategy document referred only tangentially to Chinese military modernization as a development that the U.S. would monitor. The Trump administration's 2017 National Security Strategy, by contrast, classified China, along with Russia, as "revisionist powers" composing one of the three "main sets of challengers" facing the U.S., with China seeking to "displace the U.S. in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor." The Biden administration maintained this critical approach, singling out China in its 2022 National Security Strategy as the "the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to advance that objective."

Dialogue and cooperation, meanwhile, has all but ceased. Apart from the participation of small contingents of U.S. and Chinese servicemembers in the 2024



Wind power equipment is prepared to be shipped abroad at Lianyungang Port in Lianyungang City, Jiangsu Province, China, on September 5, 2025. TK/GETTY IMAGES



Latin American Operation Formosa military exercises, the last time the two countries participated in a military exercise together was 2016. At China's insistence, military exchanges stopped altogether for about 18 months after Speaker of the House Nancy Pelosi visited Taiwan in August 2022. While Biden temporarily restored multiple levels of military cooperation following his November 2024 meeting with Xi, since Trump has taken office, the two sides have met only once, to speak about "unsafe and unprofessional" PLA actions.

## Taiwan

Taiwan, which Beijing considers a part of China, has been a central point of contention between the two countries. The first Trump administration increased arms sales to Taiwan, approving the sale of F-16 fighter jets (the first since 1992), Abrams tanks, Stinger anti-aircraft missiles, torpedoes, and upgraded Patriot surface-to-air missiles. The administration also made routine and publicized naval transits through the Taiwan Strait and resumed cabinet-level visits to Taiwan: 2020 saw the highest-level visit by a U.S. cabinet official since 1979.

The Biden administration built on Trump's initiatives, with frequent Taiwan Strait transits, continued arms sales, and expanded military aid and training. It also strengthened alliance networks through the Quad, AUKUS, trilateral exercises with Japan and South Korea "to increase interoperability in the event of a Taiwan contingency," and "increased participation by extra-regional partners . . . in regional exercises and freedom of navigation operations." Biden even hinted at a clearer commitment to Taiwan's defense, repeatedly stating the U.S. was committed to Taiwan's defense.

The second Trump administration, however, has sent mixed messages about its position on Taiwan. When asked in an October 2024 interview whether he would "use military force against a blockade on Taiwan," Trump responded that "I wouldn't have to, because [Xi Jinping] respects me and he knows I'm f— crazy." Then, in April

2025, the Trump administration hosted Taiwan's top national security official for secret talks. And on July 15, 2025, the Trump administration "strongly urged" Congress to increase its budget allocation for Taiwan to \$1 billion for the Taiwan Security Cooperation Initiative (TSCI), following the House Appropriations Committee's choice to allocate only \$500 million for the TSCI.

But Trump has repeatedly argued that Taiwan should pay more for its defense, with Elbridge Colby, the under secretary of defense for policy, suggesting it dedicate 10% of GDP. In June 2025, the administration canceled a planned meeting between Colby and the Taiwan defense minister after Trump spoke with Xi, continuing the long-standing U.S. ban on such visits. The following month, Trump also blocked Taiwan's president Lai Ching-te from stopping in New York during a South America trip, a contrast to Biden's 2023 approval of a similar stopover by Taiwan's previous president, Tsai Ing-wen.

It seems, then, that the administration is politically distancing itself from Taipei, while simultaneously increasing U.S. ability to deter China from using force to invade Taiwan. But Congress may serve as a constraining force on the executive branch's plan. During Trump's first term, his stance aligned with congressional sentiment, resulting in a flurry of pro-Taiwan legislation. Between February 2018 and August 2020 alone, five high profile Taiwan-related bills were introduced, and several key measures were signed into law. These included the 2019 National Defense Authorization Act, which called for a government report on ways to strengthen Taiwan's self-defense; expanded high-level military exchanges, joint training, and exercises, and supported a visit to Taiwan by a U.S. hospital ship. A broad piece of legislation from this era, the 2020 Taiwan Assurance Act, supported regularized U.S. arms sales to Taiwan, enhancing Taiwan's self-defense capabilities, and promoting its meaningful participation in international organizations. By contrast, Biden's efforts to stabilize

relations were sometimes undercut by Congress, most notably Speaker Pelosi's 2022 Taiwan visit, which the White House had discouraged.

Since January 2025, Republicans have introduced or cosponsored 25 Taiwan-related bills, with several already passing on a bipartisan basis. On July 31, shortly after the Trump administration's recent actions distancing itself from Taiwan, Senate Armed Services Chair Roger Wicker confirmed a bipartisan congressional delegation to Taiwan. These developments suggest that even if the Trump administration pursues a more restrained Taiwan policy, Congress will continue pushing for deeper engagement with Taipei.

## Political, Informational, and Diplomatic Competition

Lastly, a domestic dimension has emerged for the U.S. in its competition with China. U.S. reliance on China, and the leverage that could give Beijing especially during a conflict, has moved center stage. The Biden administration first started talking about "national resilience" in the National Security Strategy in October 2022, indicating the administration's prioritization of investing in "natural strength while building our resilience," and in January 2025, it released the first ever White House National Resilience Strategy, which cited a need for collective action.

National resilience refers to a nation's ability to withstand, adapt to, and quickly recover from disruptions—natural, man-made, or hybrid—while protecting essential capabilities, societal cohesion, and long-term strategic goals. It includes not only physical infrastructure but also psychological, societal, and institutional dimensions. The Biden administration emphasized an all-hazards, all-of-nation approach, integrating aspects of climate, health, cyber, and economic resilience. Trump's definition, meanwhile, shifts the focus toward localized control and federal minimalism, seeing resilience as synonymous with efficiency and bureaucratic reduction.

But in terms of China's effect on





Employees produce lithium battery products on a production line in Nantong, Jiangsu Province, China, on January 3, 2024. CFOTO/GETTY IMAGES

national resilience, U.S. policymakers broadly agree on three areas of concern: Chinese investment in critical U.S. infrastructure, cyber threats, and American reliance on rare earth minerals. To counter the first, the U.S. has tried to limit Chinese investment in critical infrastructure. The Committee on Foreign Investment in the U.S. (CFIUS), established in 1975 by President Gerald Ford, has long had the authority to block foreign acquisition of American companies. But in 2018, the Foreign Investment Risk Review Modernization Act (FIRRMA) significantly expanded CFIUS's jurisdiction and powers, especially involving transactions in sensitive sectors, such as semiconductors and the telecom industry. In the first five months of 2018 alone, CFIUS blocked \$2 billion in acquisitions. Biden later introduced a "reverse CFIUS" program restricting outbound U.S. investment in sensitive sectors like semiconductors, quantum information technologies, and AI, and in 2025 used CFIUS to block Nippon Steel's \$14 billion bid for U.S. Steel (which went through in June 2025 due

to Trump's approval of the bid).

China's threat in the cyber domain has also raised security concerns about critical infrastructure. The Cybersecurity and Infrastructure Security Agency (CISA) has confirmed that China's state-sponsored hackers—most notably the Volt Typhoon and Salt Typhoon groups—have access to U.S. energy grids, water systems, and telecommunication networks. This gives China the ability to "pull the plug" or disrupt civilian life in the future. Moreover, in 2024 alone, CISA reported a 150% surge in espionage operations, including theft ranging from defense research to COVID-19 financial data.

U.S. economic and military reliance on China for rare earth metals also creates leverage for Beijing. Rare earths comprise 17 metals that are rare to find in large enough quantities for efficient mining and require significant processing power to isolate. China possesses by far the largest known reserve of rare earths in the world, accounts for 70% of rare earth mining, and perhaps most importantly, 90% of processing—including essentially all processing

for heavy rare earth elements. Given the strict environmental regulatory landscape in the U.S., which makes domestic mining a nonstarter, and China's competitively low costs, the U.S. imported 100% of its rare earth minerals in 2020. (That decreased to 80% by 2024.) From 2020 to 2023, 70% of rare earth imports for the U.S. came from China. Rare earth metals are vital for U.S. defense systems, from Tomahawk missiles and radar to unmanned aerial vehicles and smart bombs; each F-35 requires over 900 pounds of rare earths, and a Virginia-class submarine requires more than 9,200 pounds.

China has weaponized its chokehold on rare earth minerals in the past. In 2010, after Japanese police arrested Chinese fishermen, Japan accused China of enforcing an embargo as its rare earth import prices spiked. More recently, in response to the Biden administration's restriction of sales of American technology to Chinese companies, China placed a ban on the sale of three rare earth minerals to the U.S. in December 2024. Then, in response to Trump's latest tariffs, China imposed





*A cargo ship unloads imported iron ore at the Qingdao Port ore terminal in Qingdao, Shandong Province, China, on September 28, 2025.*  
NURPHOTO/GETTY IMAGES

export restrictions on seven rare earth elements, including one used for fighter jets and magnets.

In May 2025, the U.S. and China reached a 90-day trade truce that included China lifting its ban on rare earth magnets. But, by early June, China had slowed export licenses for critical rare earth minerals, leading Washington to claim Beijing was violating the truce. To pressure China and restore balance, the U.S. temporarily imposed export restrictions on high-end AI chips, jet engines, and aviation parts. In order to salvage the deal and put “meat on the bones” (as posted by Trump on his social media platform), China agreed to fast-track licenses through a “green channel,” and the U.S. agreed not to exchange chip export bans for rare earth access. As of late June 2025, Treasury Secretary Scott Bessent confirmed that China had agreed to expedite exports, “ironing out” the delay, and the U.S. had agreed to remove its countermeasures.

For its part, China has pursued

“national resilience” for a decade, notably through its 2015 Made in China 2025 plan to reduce tech dependence on the West and its Cross-Border Interbank Payment System (CIPS), created to bypass SWIFT, the world’s main messaging network for initiating international payments. CIPS is now growing 50% annually, a priority reinforced after Russia’s exclusion from global finance. Beijing has also focused on BRICS (an alliance comprising Brazil, Russia, India, China, South Africa, and other nations) and the Global South in an effort to wrest international economic influence away from the U.S. While it is not explicitly in opposition to the G7, BRICS is seen as an alternative form of financial governance and was formed in 2009 to challenge Western dominance by coordinating members’ economic and diplomatic policies. Although they were all developing economies at the time, BRICS economies now exceed those of the G7.

China’s Global South strategy is two-pronged: win these countries

over financially and encourage them to challenge the Western order. BRICS started the New Development Bank (NDB) in 2014, which deepens the use of local currencies to reduce reliance on the dollar and offers loans with more favorable terms than the World Bank or the International Monetary Fund. Xi has long criticized Western institutions as not reflecting emerging powers’ voices, and China has emphasized BRICS as a platform of mutual respect, clearly opposing the interventionist approach the U.S. has taken since the early 2000s. Despite internal tensions that limit its ability to rival the Western order, many Global South states remain eager to join BRICS to access NDB financing.

Another way China has been trying to increase its influence in developing countries is through the Belt and Road Initiative (BRI). Since its inception in 2013, the BRI has become the biggest development program ever undertaken by a single country. Chinese financial institutions have lent more than a



trillion dollars to finance infrastructure projects in over 150 countries in Africa, Southeast Asia, Latin America, and the Middle East. By leveraging trade and goodwill for political influence and power in these countries, Beijing is projecting Chinese power through the BRI.

Taken together, China's resilience strategy emphasizes adapting to global dynamics, unlike the U.S.'s inward focus. The U.S. has been slow to respond, as evident along the Panama Canal, where two major ports have been run by a Hong Kong subsidiary since 1997, effectively giving Beijing leverage under China's 2020 National Security Law.

### Trump 2.0

A review of trends in U.S. policy reveals several trends in the second Trump administration's approach to China. First, in contrast to past presidential attempts to create coalitions and institutions to constrain Chinese behavior, Trump's approach has been undoubtedly unilateral. He has also abandoned many instruments of American soft power, such as the U.S. Agency for International Development (USAID) and the U.S. Agency for Global Media, for more blunt military and economic tools to facilitate capitulation and transactional dealmaking.

Second, Trump's focus is squarely on competition with China, with few cooperative angles remaining. Trump's AI plan, for example, explicitly mentions "countering China," while cooperation on the illicit fentanyl trade may come only after vigorous tit-for-tat tariff escalation. Yet, the Trump administration has also tried to be respectful of China's "core interests" in the political domain, in particular with respect to Taiwan. While the U.S. will likely continue to support Taiwan's defense with arms sales and training, political support for the island has decreased.

Minimal areas of cooperation, however, does not necessarily mean minimal engagement. Trump 2.0, like the first Trump administration, is interested in high-level leadership exchanges and reaching agreements with China, especially in the economic area. While still under the umbrella of strategic competition, deals could be made on energy and manufacturing investments, a serious Chinese crackdown on fentanyl precursor exports, a resolution to the TikTok dispute, and new Chinese commitments to purchase more U.S. goods to reduce the bilateral trade deficit.

In other words, the haphazard nature of the second Trump administration's policy toward China is more likely

due to disagreements about methods than a lack of strategy. For instance, Trump's senior cyber director, Alexei Bulazel, has argued for bold counterattacks as the only way to deter Chinese state-sponsored hacking. Yet the Trump administration has cut CISA's budget by 17%, and three of its six division leaders have resigned. The U.S. Department of Homeland Security has also dissolved the Cyber Safety Review Board investigating Salt Typhoon.

The questions going forward for the Trump administration are what aspects should be prioritized in competing with China and which tools are the most effective. Militarily, the administration emphasizes force posture over activities and exercises like FONOPs, trying to reestablish deterrence to avoid war, which is a more passive endeavor than what it's trying to do in the economic realm (trade wars necessitate compellence to achieve competitive ends). Yet, its global attention has already been diverted to Europe, with renewed strong support for Ukraine, and crises in the Middle East, including "maximum pressure" on Iran, responses to Houthi attacks on shipping in the Red Sea, and involvement in Gaza.

In sum, Trump's second administration relies on tariffs to drive trade deals, boost domestic production, and punish China, but Beijing's rare earth leverage and tariff retaliation limit U.S. gains. Trump's transactional tactics—including his poor treatment of American allies and his willingness to allow China access to U.S. technology as a bargaining chip—might secure short-term wins but long-term degradation of American economic power. Militarily, he is right to focus on an enhanced force posture and political reassurance to deter a war over Taiwan. This approach is unlikely to exacerbate tensions with China, and direct conflict remains unlikely. But the alienation of allies and partners will make it difficult to execute this strategy of deterrence comprehensively. And overall, as the U.S. becomes less and less postured for success in the long-term strategic competition, China's leadership may have reason to believe that time is on Beijing's side.



Taiwan president Lai Ching-te (center) and Taiwan defense minister Koo Li-hsiung (L) listen to a helmet presentation at the Taipei Aerospace Defense Technology Exhibition 2025 in Taipei, Taiwan, on September 19, 2025. Their visit to the exhibition came after news emerged that U.S. president Donald Trump declined arms sales to Taiwan. ANADOLUJ GETTY IMAGES



## Discussion Questions

1. How do the approaches of the Trump 1.0, Biden, and Trump 2.0 administrations differ in their strategies toward China?
2. Have tariffs, export controls, and investment restrictions strengthened U.S. competitiveness or undermined it?
3. How has China adapted to U.S. economic pressure, and what does this reveal about the limits of U.S. leverage?
4. What lessons does the Taiwan issue reveal about deterrence, reassurance, and the risks of miscalculation?
5. How has China's growing military activity in the Indo-Pacific reshaped U.S. defense strategy and regional alliances?
6. Does China's outreach to the Global South through BRICS, RCEP, and the Belt and Road Initiative represent a fundamental challenge to U.S. leadership?
7. To what extent does dependence on Chinese supply chains and rare earth minerals compromise U.S. resilience?
8. How should the U.S. weigh the costs of economic decoupling against the security benefits it may provide?
9. How has China used its partnerships with Russia and the Global South to counterbalance U.S. pressure?
10. How much economic interdependence with China is stabilizing, and at what point does it become dangerous dependence?

## Suggested Readings

Edelman, R. David. "Interwoven Frontiers: Energy, AI, and U.S.-China Competition," *Brookings*, August 11, 2025, provides a policy-oriented lens to explore how energy, AI, and tech interlink in the U.S.-China competition and what strategic policy coherence might look like.

Fravel, M. Taylor. *Active Defense: China's Military Strategy Since 1949* (Princeton, NJ: Princeton University Press, 2019) provides the historical and doctrinal foundation necessary to grasp how China's military rise shapes today's strategic competition with the U.S.

Hiim, Henrik Stålhane and Øystein Tunsjø. "The U.S.-China Stability-Instability Paradox: Limited War in the Shadow of Great Power Competition," *International Security* 50, no. 1 (2025), applies the stability-instability paradox to U.S.-China rivalry, showing that limited war in maritime East Asia is more likely than in cold war Europe, especially over Taiwan.

Jisi, Wang. "The Logic of China-US Rivalry," *China International Strategy Review* 6 (2024): 1-8, articulates four interlocking logics driving the U.S.-China rivalry (power transition, ideology, systemic change, and domestic political pressures).

Logan, David C. "Chinese Views of Strategic Stability: Implications for U.S.-China Relations," *International Security* 49, no. 2 (Fall 2024): 56-96, shows that U.S.-China nuclear competition is eroding China's four pillars of strategic stability, driving its nuclear buildup.

Mastro, Oriana Skylar. "Chinese Grand Strategy," in John Baylis, James J. Wirtz, Jeannie L. Johnson (eds.), *Strategy in the Contemporary World*, 7th ed. (New York: Oxford University Press, 2022) provides a concise, authoritative overview of how China thinks about power and long-term competition.

Medeiros, Evan S., ed. *Cold Rivals: The New Era of U.S.-China Strategic Competition* (Washington, DC: Georgetown University Press, 2023) provides a comprehensive and balanced overview of U.S.-China strategic competition.

Shambaugh, David. *Breaking the Engagement: How China Won & Lost America* (New York: Oxford University Press, 2025) examines the evolution, expansion, and disintegration of the American engagement strategy towards China.

**Don't forget to vote!**

**Download a copy of the ballot questions from the Resources page at [www.fpa.org/great\\_decisions](http://www.fpa.org/great_decisions)**

**To access web links to these readings, as well as links to additional, shorter readings and suggested websites,**

**GO TO [www.fpa.org/great\\_decisions](http://www.fpa.org/great_decisions)**

**and click on the topic under Topic Resources, on the top of the page.**