

## US-China

### What Trump's Return to the White House Means for China

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- US president-elect Donald Trump's focus on personal loyalty will stifle Beijing's ability to predict his policymaking
  - The role of Elon Musk—who emphatically supported Trump but is commercially enmeshed in China—is another variable
  - Although Trump lacks a strong position on Taiwan, his pick of Rubio as secretary of state will set the tone on that key bilateral issue
  - Trump may not implement tariffs as quickly or aggressively as feared, given their impact on inflation, local businesses, and multinationals' interest
  - Trump's transactional approach and focus on economic interest will likely drive multipolarity in Asia
  - China would welcome an actionable proposal by Trump to end the war in Ukraine, as this may alleviate China-EU tensions, but will worry about deepening Trump-Putin ties
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Former US president Donald Trump accomplished an historic comeback with a landslide victory in last week's election, carrying all seven key swing states. Republicans have also regained control of the Senate while maintaining a thin majority in the House. Given this and the Supreme Court's Republican-appointed majority, Trump is poised to become the most powerful US president in decades.

His mandate is even stronger considering the demographic profile his voters, who form the widest coalition built by any Republican candidate in recent memory. He won the largest share of non-White votes since Gerald Ford in 1976, including over 25% of Black-male and 45% of Hispanic voters nationwide. With a novel campaign strategy in the weeks leading to the election—incorporating a stop at McDonald's and appearances on popular podcasts—he also captured a large share of the youth demographic. Moreover, Trump has also eroded Democratic support in urban areas.

This has compelled leaders around the world to congratulate Trump and **face the reality of a second term for a US president who dealt a major blow to globalization in his first.**

Those with the most at stake acted first. Ukrainian leader Volodymyr Zelenskyy, who relies on the US for crucial military support, was particularly eager following Trump's promise to end the conflict there in 24 hours: Zelenskyy said that he had an “excellent call” with the president-elect. Indian premier Narendra Modi, an aspiring leader of the Global South who is hedging between Russia and the US, also called Trump and was told by the latter that the “whole world loves Modi.” Strong personal rapport between the two could ease some pressure off of Modi regarding his dealings with Russia.

French president Emmanuel Macron's call with Trump focused on Ukraine and the Middle East, where the US is providing support also to Israel. This, however, followed a call between Macron and German chancellor Olaf Scholz in which the two pledged a “more united, stronger, and more sovereign” Europe in the wake of Trump's victory. **Such calls for stronger European unity by two of the US's staunchest allies clearly signal concerns that Trump may further isolate the US from global affairs.**

Chinese president Xi Jinping [called](#) Trump on 7 November following Democratic candidate Kamala Harris's concession, in accordance with Chinese protocol. Besides the usual talking

points on building a stable, healthy, and sustainable bilateral relationship, a *Xinhua* readout gave little insight into what was discussed.

**We believe that Xi's top concerns in the wake of Trump's election are Taiwan, tariffs, the US's Asia policy, and Ukraine—likely in that order. However, incoherent policymaking by Trump at the outset may delay Beijing from receiving any clarity on those matters.**

### **A loyalty-based cabinet will engender inconsistency and tension**

**The greatest obstacle to reading Trump's policies will arise from his cabinet, which will likely be filled with loyalists instead of technocrats able to formulate and articulate a coherent policy platform.** Disagreements with Trump and disputes amongst themselves in key policy areas could muddle Beijing's analysis.

Trump is likely to conduct loyalty tests as part of his selection of cabinet and other key officeholders, as was seen even in his 2020 reelection campaign. The White House personnel office reportedly [held](#) one-on-one interviews with hundreds of political appointees across federal agencies to preempt leaks and other potential subversion.

Such loyalty tests may be even more prominent now, as Trump will feel compelled to reward those who stood by him over the past four years amidst what he had described as a politically motivated “witch hunt” launched by the Democrats. **The [appointment](#) of erstwhile campaign manager Susan Wiles as his chief of staff confirms that loyalty will be a key criterion in Trump's selection of core officers.**

Trump's recent tweet announcing that Nikki Haley and Mike Pompeo would not be considered for any cabinet posts further reinforces this view. Despite lasting till the end of Trump's first term, Haley competed with Trump in the Republican primary, while Pompeo contemplated a run of his own—both potentially “disloyal” acts.

**For China, a loyalist-filled Trump inner circle may limit potential for backchanneling.** Trump's daughter and son-in-law, Ivanka Trump and Jared Kushner, used to form such channels but fell out of Trump's favor due to their reactions to the 6 January riot, a key criterion for loyalty. They were absent throughout his latest campaign and were not even seen at Trump's campaign headquarters on election night.

### **The Musk factor**

Another Trump loyalist who could confound China's approach to the new administration is Tesla CEO Elon Musk, who appeared with Trump family members in a photo after Trump's declaration of victory on election night.

Musk was crucial in Trump's campaign and one of its largest donors, [contributing](#) a total of USD 200mn to a super political action committee that he had established for Trump's White House bid. Beyond financial support, he also actively joined campaign rallies with Trump and hosted town halls in the key battleground state of Pennsylvania. Musk played an even larger role in voter-engagement initiatives, including cash incentives to boost turnout and social-media campaigns via X (formerly Twitter).

Yet, Musk's business interests in China could pose a problem for Trump. China is a crucial market for Tesla in terms of both revenue and capacity; the former reached USD 21.75bn in 2023, or around 22.5% of its global revenue. The Shanghai Gigafactory not only serves Tesla's Chinese market but also Europe and other regions, and the Megapack factory under construction in Shanghai will be Tesla's first battery-manufacturing plant outside of the US. All this contravenes Trump's goal of reshoring manufacturing capacity and jobs.

Musk's precise role in the Trump administration remains unclear. Given his vast business interests, he will not likely hold any formal office requiring either divestment or transfer of said interests to a blind trust. An unofficial or advisory role, however, would limit his influence via-à-vis those who hold formal ones. This was demonstrated during the inner circle jockeying of Trump's first term. **His business in China, furthermore, will also expose him to attacks by China hawks in Congress.**

Either way, Musk's presence in this circle poses risks to Beijing. He has arguably been one of the best-treated US businesspeople in China, allowed to drive his own Tesla car into the highly cloistered Zhongnanhai in 2019 and invited to dinners with top Chinese leaders. He has also forged a special bond with premier Li Qiang, who advocated for Tesla's projects in Shanghai. **Chinese leaders will inevitably become suspicious of Musk's intentions if he remains an active advisor to Trump.**

Musk, if able to balance his interests between Trump and in China, may alternatively fill the backchannel role—but this would be a very narrow tightrope indeed.

### **Trump's Taiwan policy**

**Given Beijing's top concern with Trump's policy on Taiwan, Trump's reported selection of Marco Rubio as secretary of state will cause concern for Beijing.** Rubio has advocated enhanced support and less ambiguous policy on Taiwan. Last year alone, he introduced or co-sponsored the Taiwan Protection and National Resilience Act, Taiwan Representative Office Act, Taiwan Peace Through Strength Act, and Taiwan Relations Reinforcement Act.

These bills aimed to enhance Taiwan's international recognition, defense capabilities, and importance in foreign policymaking of the US, while mandating a comprehensive sanctions strategy against China in the event of aggression toward Taiwan. Rubio's earlier efforts on the Taiwan Travel Act of 2018 also led to intensified high-level visits between Washington and Taipei.

That Rubio has been sanctioned by China's Ministry of Foreign Affairs twice would also obstruct working-level communications between that body and the US Department of State.

His appointment should not come as a surprise, however. As Rubio was shortlisted for the vice president role, he must have passed Trump's loyalty test. Also, as ranking member of the Senate's select committee on intelligence and foreign affairs committee, he was already the most senior Republican in foreign affairs.

Taiwan remains Beijing's most critical "red-line" issue. Just this year alone, Beijing has launched eight waves of sanctions against US defense contractors linked to arms sales to Taiwan, as well as escalating pressure through two military exercises. Notably, all operation zones of October's exercise were within Taiwan's air-defense identification zone, and 111 of 153 military aircraft involved traverse the informal "median line" of the Taiwan Strait. This

all serves to warn that **Beijing is prepared to amplify pressure if the US or Taiwan act further to upset the status quo.**

This would actually matter little to Trump, who has limited interest in Taiwan beyond the island's semiconductor industry. In his campaign, he even [called on](#) Taiwan to pay for US protection. How the dynamics between Trump and Rubio will play out, if the latter becomes the US's top diplomat, will be a key watchpoint.

Perhaps Beijing's greater concern is Rubio's broader agenda. As the leading China hawk in the Senate, Rubio has long targeted China over issues beyond Taiwan, including Xinjiang and Hong Kong, which led to his sanction by Beijing. If appointed secretary of state, Rubio would gain even more tools to exert pressure on China. The next four years could therefore test Beijing's strategic determination, challenging top leaders to avoid the traps Rubio is likely to set.

Last but not least, Trump's decision not to consider former secretary of state Mike Pompeo for a role in his new administration will at least elicit some relief from Beijing. Such a return would have prompted alarm, given Pompeo's vocal opposition to the US's longtime policy of strategic ambiguity over Taiwan and his support for Taiwan's independence. Pompeo [recommended](#) the US to recognize Taiwan as a sovereign state in 2022 and attended William Lai's inauguration this May in a private capacity.

### **Trump's tariff threat**

Tariffs are another obvious concern. On the campaign trail, Trump proposed new tariffs at least of 10% on most imports and 60% on those from China. He even threatened 100% tariffs on goods from Mexico, where Chinese firms have been investing as a pathway into the US market.

If enacted, these tariffs will have an immense impact on China. The US consumes 15% of China's exports—down from 19% in 2018 but still significant. The US is also the world's largest importer, accounting for 13% of the total, and thus ultimately the biggest indirect importer of goods originating from China. Universal tariffs could also dampen business confidence and weaken demand globally.

On China's side, exports comprise roughly 20% of GDP. Net exports contributed to 43% of growth as of Q3 amid weak domestic demand. Tariffs may also keep US inflation high and narrow the US Federal Reserve's room to cut rates, in turn constraining China's ability to ease its own monetary policy.

This said, **the exact impact of tariffs will depend heavily on timing and scale.** If imposed after fiscal stimulus by Trump, the resultant increase in US demand could first boost China's exports. If universal tariffs, the costs of US products will rise and render Chinese products more competitive in non-US markets. According to World Bank data, consumer goods amount only to a third of global trade. Capital goods, intermediate goods, and raw materials comprise another third, 22%, and 11%, respectively.

**Current consensus among Chinese firms is that tariffs will precede fiscal stimulus.** This is because of strong bipartisan support in the US and procedural ease: Expanding the scope and hiking tariff rates covered by existing laws simply requires executive action by the White

House without any further legislative process—which is how Joe Biden himself expanded tariffs just this May.

**US politicians seem more enthusiastic about fiscal stimulus.** Immediately after Trump's victory, discussions of tax cuts began brewing. Republicans, likely to gain full control of Congress, are looking to extend Trump's 2017 tax cuts, otherwise set to expire next year, and to cut even more as Trump promised on the campaign trail. Tariffs, on the other hand, were mostly discussed as a means of funding these cuts.

Indeed, tariffs may not be so popular. Raising them could exacerbate inflation, something that Trump used to batter Harris on the campaign trail. Republicans in the House also may not be too eager, as local economic fallout could endanger their reelection prospects in 2026. Musk, with his business ties to China, may offer another opposing voice.

Given Trump's known transactional approach, he may instead exploit the threat of tariffs to seek concessions from trading partners. For example, **Trump may announce tariffs first but enact them later.** This could impel other countries to negotiate with the US, which will likely take time given the complexity of global supply chains, each government's capacity, and varying US interests.

In this regard, Trump and China may actually align: **Beijing would prefer to have its manufacturing firms invest directly in the US instead of Mexico, and Trump would welcome this. In turn, he could ease US export controls and / or reduce US military presence from Asia—something that Beijing would love to see.**

In such a case, **Congress would be the major obstacle.** If Congress were to lead, however, tariffs are likely to be deployed in conjunction with tax cuts. Further, they would unlikely be universal or as high as 60%, given the impact on local businesses. Formulating the finer legislative details would also require more time than executive action, and Trump may even intervene to defend his deals with China.

## Trump's Asia policy

Trump's broader Asia policy may offer further relief to Beijing, in light of his transactional nature, focus on burden-sharing, and prioritization of economic interest over alliances.

US allies in the region will likely respond in one of two ways: ASEAN states and signatories to the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will likely **forge closer ties amongst themselves via existing mechanisms to hedge against trade rifts that Trump may stir**—while allies that had relied on the US for stable relationships could be alienated further away from the US and from each other. **Overall, the trend towards multipolarity in Asia will likely accelerate.**

In his first term, Trump exhorted allies to increase financial contributions to host US forces. He [demanded](#) a five-fold increase from South Korea to USD 5bn annually; similar was communicated to Japan. This strained the alliances and stoked insecurity about US commitment to regional security. Trump may reiterate these calls and generate frictions if Japan and / or South Korea are unwilling or unable to accede.

Japan and South Korea may also be disheartened by Trump's relationship with Kim Jong Un, especially given that North Korea has dispatched troops to support Russia's invasion of Ukraine. Though Trump's first-term engagement with North Korea led only to limited progress on denuclearization, he may repeat this approach. Given Japan's and South Korea's more hardline stance, this would be very much to their chagrin.

Trump has historically paid little attention to Southeast Asia, attending the US-ASEAN summit only once in 2017, and will likely continue this course. **ASEAN states may thus seek to strengthen ties among themselves as well as with China, Japan, and South Korea to counterbalance reduced engagement by the US.**

RCEP, a product of Trump's withdrawal, will likely gain further momentum in Trump's second term, while CPTPP may open itself to other economies eager to join, including the applicant UK. **The US's absence might also facilitate China's accession, potentially shifting the balance of economic influence in the region.**

### **Trump's Ukraine policy**

Trump's approach to Ukraine war and whether he can facilitate an end to the war not only impinge on international security. It will also affect the EU-China trade relationship, especially given potential US tariffs against both, as China's support for Russia remains a major obstacle to any improvement thereof. In 2018, Brussels was able to achieve a quick settlement with Beijing in the face of US trade antagonism—but now, against the backdrop of Ukraine, a similar deal will be farther from reach.

The potential appointment of Rubio as secretary of state will also come into play in Trump's approach to end the Ukraine war. Defending Trump's approach, Rubio in a September interview [said](#) that Ukraine should prioritize a negotiated settlement with Russia over efforts to reclaim territories that are currently occupied by Russia. Additionally, Rubio was among 15 Republican senators who voted against the USD 95bn military aid package for Ukraine, passed this April.

Regardless of Trump's approach, his promise to end the Ukraine war means that Europe must either get onboard with whatever peace proposal he devises—which will likely entail concessions from Ukraine and thus displease the EU—or continue supporting the fight without US support. If the latter, the EU would further need to dissuade Zelenskyy from acceding to Trump's terms. This will put more pressure on Brussels and potentially aggravate divisions among EU members.

China will welcome an end to the war under Trump, who is much more likely to present a deal acceptable to Vladimir Putin than Biden or Harris. This would further open a window for China to improve its relations with the EU, potentially leading to resolution of their ongoing dispute over electric vehicles.

Beijing would not, however, see itself benefitting from a deepening of Trump-Putin ties, in which case the latter two may align against it. A Ukraine proposal by Trump that heavily favors Russia and its own geopolitical goals (which seems to be the case as of now) could be a step in that direction.