

# China's response to Trump 2.0

A conversation with Professor Steve Tsang





## China's response to Trump 2.0 - a conversation with Professor Steve Tsang

### Executive summary

With President-Elect Donald Trump set to impose hefty tariffs, global markets are reacting. Professor Steve Tsang from SOAS University of London shared insights on China's response to Trump's re-election at Chatham House.

- China sees an opportunity in leveraging President Xi and Trump's personal rapport to ease restrictions through diplomatic overtures.
- Xi Jinping's long-term strategy aims to restore China's imperial glory and surpass the US, with a cautious approach towards Taiwan in the short to medium term.
- Trump's unpredictability presents both challenges and opportunities for Beijing, allowing China to influence US policies and position itself as a reliable partner globally.
- The GIB AM Emerging Markets Team highlighted China's strong fundamentals and significant upside potential in underweighted equities, despite near-term turbulence.
- Key questions include how China can leverage its relationship with Trump, the reshaping of the international order, and balancing risks with long-term opportunities in emerging markets.

With President-Elect Donald Trump set to be sworn into office soon, global markets are already reacting to his pledge to impose hefty tariffs on China, Mexico, and Canada. In December, Professor Steve Tsang from SOAS University shared his expert views with our GIB Asset Management Emerging Markets team at Chatham House. The discussion, co-chaired by Portfolio Manager Kunal Desai, focused on China's response to Trump's re-election and its implications for global markets. They explored the challenges and opportunities China anticipates under Trump 2.0 and the investment strategies needed to navigate this complex environment.

### China's perspective on a second Trump administration

China may not welcome a second Trump administration, but it sees an opportunity. President Xi and Trump's personal rapport, highlighted by Xi's invitation to Trump's inauguration, will likely be leveraged. Chinese policymakers might use summits and diplomatic overtures to appeal to Trump's vanity and personal interests to ease restrictions on specific issues.

### Xi Jinping's strategic vision

Professor Tsang explained that Xi Jinping's long-term strategy aims to restore China to its former imperial glory and surpass the US as the most powerful country. Xi's focus includes reshaping global power dynamics through diplomatic engagements, institutional reform, and managing US relations. Despite concerns over Taiwan, Xi's approach remains cautious and calculated, with reunification expected within our lifetime as part of the 2050 'China Dream' project.

### Trump's role in US-China dynamics

Trump's leadership style presents both challenges and opportunities for Beijing. A renewed trade war could harm China's economy, but Beijing can use Trump's unpredictability to drive wedges between the US and its allies. China has also shown it can influence Trump's policies through personal relationships and position itself as a reliable partner to Europe and the Global South.



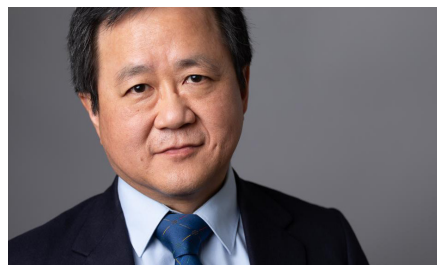
## Investment insights from the Emerging Markets team

The GIB AM Emerging Markets Team provided insights on China's role in emerging markets. They highlighted the challenges of navigating China's stock selection environment and the importance of strategic portfolio construction. Despite near-term turbulence, China offers strong fundamentals, with significant upside potential in underweighted equities. The team also noted the favourable backdrop for broader investments in emerging markets.

## Questions for the road ahead

As Trump's inauguration approaches, several pivotal questions arise:

- Can China leverage its relationship with Trump to moderate US policies?
- How will Trump's approach to traditional allies reshape the international order?
- How will Xi's strategies regarding Taiwan and the Global South evolve?
- How can investors balance risks with long-term opportunities in emerging markets?
- Understanding Beijing's strategic calculus and the broader geopolitical landscape will be essential for navigating opportunities and risks in the emerging markets space.



### Dr Steve Tsang

Dr. Steve Tsang is a leading scholar on Chinese politics and international relations, currently serving as the Director of the SOAS China Institute at SOAS, University of London. He specialises in the political thought of China's leadership, particularly Xi Jinping, and provides expert analysis on China's geopolitical strategies and domestic policies. Frequently featured in the media, he is known for his balanced, insightful commentary on topics such as US-China relations, Taiwan, and China's global ambitions.



### GIB AM Emerging Markets Team

The [GIB AM Emerging Markets Active Engagement Strategy](#) is underpinned by a tested two pillar process which identifies undervalued business through its fundamentally driven bottom-up approach. The team seeks to generate additional alpha by partnering with all portfolio companies on material ESG and operational improvements. They run a core, scalable and differentiated investment strategy aiming to maximise risk-adjusted returns through its proprietary approach to truly active emerging markets investing.



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