The recent re-election of Donald Trump as President of the United States has sent ripples through global capitals, with Beijing particularly attentive to the implications for U.S.-China relations. China’s leadership, while not entirely surprised by Trump’s return, harbors concerns about the uncertainties it introduces, especially regarding trade and technology policies.

A significant source of apprehension for Beijing is the composition of Trump’s incoming team, notably the appointments of Mike Waltz as National Security Advisor and Senator Marco Rubio as Secretary of State. Both figures are recognized for their stringent stances on China. Rubio, in particular, has been a vocal critic on issues concerning Taiwan and human rights, leading to previous sanctions imposed on him by the Chinese government. However, there are indications that Beijing might consider lifting these sanctions should Rubio’s appointment be confirmed, signaling a potential openness to diplomatic engagement.

Trump’s unpredictable nature and his propensity to diverge from his advisors’ counsel present a diplomatic challenge for China. This unpredictability may prompt Beijing to seek direct communication channels with the President to navigate the bilateral relationship more effectively.

Economically, China is bracing for the possibility of stringent tariffs reminiscent of those during Trump’s first term. The Chinese government is preparing for worst-case scenarios but simultaneously expresses hope for negotiated solutions to mitigate trade tensions.

Beyond external pressures, China’s economy grapples with internal challenges, notably insufficient domestic demand. This issue is exacerbated by an export-oriented growth model and state-led investments in strategic sectors, which have not sufficiently stimulated household consumption. In response, Chinese leaders have pledged increased government support to bolster the economy, including plans to cut interest rates, increase government borrowing, and stabilize stock and real estate markets. These measures aim to mitigate risks from external shocks and address internal economic challenges. ~ The Wall Street Journal

The Central Economic Work Conference, a pivotal annual economic planning

session, concluded with promises to adopt a more relaxed monetary policy to ensure steady economic growth amid looming trade tensions with the United States. The country aims to address challenges such as a property market crisis, high local government debt, and weak domestic demand. The conference summary indicated plans to reduce bank reserve requirements and cut interest rates. Analysts suggest that China's focus will temporarily shift to growth over financial risks. Reuters

Additionally, China has introduced various stimulus measures, including cuts to its benchmark interest rate and funding to support the stock market and property sector, to combat an economic slowdown. The People's Bank of China announced a reduction in the seven-day reverse repo rate from 1.7% to 1.5% and a cut in the reserve requirement ratio by 0.5 percentage points, adding significant liquidity to the banking system. These measures aim to stabilize economic growth and promote price recovery. Financial Times

However, transforming household demand into a sustainable growth driver presents significant challenges, including socio-economic policies that traditionally favored investment over consumption. Economists warn that without substantial structural changes to support household income and spending, China may face long-term low growth similar to Japan's experience in the 1990s. For now, Beijing's shift may help achieve the 2024 growth target of around 5%, but without broader economic reforms, the future outlook remains uncertain. Reuters

As the Trump administration embarks on its second term, Beijing is poised to navigate a complex landscape of renewed trade tensions and internal economic reforms. The interplay between external pressures and domestic policy adjustments will be crucial in shaping China's economic trajectory and its relations with the United States in the coming years.