



# Sino-US Relations in 2025 – Major Takeaways

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### SYNOPSIS

*The year 2025 witnessed another round of intense Sino-US economic rivalry. It reveals both US economic vulnerability and Chinese economic resilience. Third-party countries continued to be caught in the crossfire between Beijing and Washington. As the United States pursues unilateralism and protectionism while China sticks to multilateralism and free trade, it is clear the future of global economy and international relations will remain in a state of flux and instability.*

### COMMENTARY

From a rocky start to a soft landing, Sino-US relations in 2025 navigated intense trade frictions and tough negotiations, finally arriving at a détente after the summit meeting between Presidents Xi Jinping and Donald Trump in South Korea. Since the first Trump administration, China and the United States have engaged in fierce strategic competition, and their bilateral ties have been marked by constant contest and tension. However, what occurred in 2025 appears more revealing as we try to understand the current state and the outlook of the Sino-US relationship.

Perhaps the most important thing is the truth about economic interdependence (or relative vulnerability) between the two sides. According to conventional wisdom, since China sells more to the US than the US sells to China, China relies more on the US and therefore the US gains more leverage vis-à-vis China. It was this belief that prompted Donald Trump to impose tariffs on imports from China as soon as his second term kicked off. However, Beijing retaliated by tightening export controls on rare-earth magnets and halting shipments of household necessities to the US, which rang the alarm bells and forced Donald Trump to seek reconciliation with China.

This shows that the level of vulnerability in economic interdependence is reflected in more than just trade statistics – it is more of a qualitative than a quantitative issue.

To be sure, China sells more to the US, but the US market is not indispensable to China, as it only takes in around 10 per cent of overall Chinese exports today. On the other hand, what China provides is indispensable to American production lines that rely on rare-earth materials as well as consumers who live on Chinese products. In this sense, the US is more vulnerable than China in their economic ties.

In the first three quarters of 2025, even though the Trump tariffs led to a 16.9 per cent drop in Chinese exports to the US, it didn't result in a corresponding decline in overall Chinese exports. In fact, due to the steady increase in Chinese exports to Southeast Asia, Africa, Europe, and Latin America, China recorded a 7.1 per cent increase in its overall exports in the same period. This reflects not only China's growing competitiveness in international markets, especially in products such as electric vehicles and new energy batteries, but also the success of China's market diversification strategy. This explains why Trump's tariffs didn't gain much leverage for him this time.

As the Trump administration realised the limits of its tariff card against China, it increasingly turned to technology restrictions. However, as indicated by the AI model DeepSeek and other cases, China is making progress in its technological development much faster than expected. US restrictions may slow China's advancement but are unlikely to stop it.

Indeed, Beijing is not only investing more in its indigenous innovation but is also becoming more self-confident about this endeavour. The Sino-US technological game will endure. For China, this is a short-term pain but long-term gain as it stimulates China's own technological breakthroughs, while for the US, it is a short-term gain but long-term pain, as the US tech giants lose access to the huge and profitable Chinese market.

Out of an intrinsic hegemonic concern about its power superiority, Washington will continue to thwart China's growth in every way possible, including through trade, technology, investment, and finance. At the same time, Beijing has learned to counter US pressure by playing cards at its disposal. This tit-for-tat not only hurts both sides but also burns many third parties.

As the US pressured Netherlands, Japan and others to restrict export of semiconductor products and equipment to China, dissuaded many countries from using Huawei 5G products and services, and forced Mexico, Malaysia, Cambodia, etc., to accept in their trade deal with the US the Position Bill aimed at curtailing their respective trade and investment links with China, they have, and will pay a heavy price for the sake of US interests. For example, China, in retaliation against the US, has tightened export controls on rare-earth magnets and key minerals, affecting many other countries reliant on the Chinese supply chain. In the highly globalised world, Sino-US rivalry has generated a broad impact.

As Washington and Beijing are locked in an economic competition across the board, they are also forging their respective economic networks. The US employs a unilateral approach to push for bilateral arrangements, imposing unwarranted tariffs on others and extracting investments from them to reinvigorate its manufacturing

industry. This coercive approach may increase US revenue and attract more FDI in the short term, but will inevitably shrink its share of world trade in the long term as other countries reduce their reliance on the US market.

Washington will also be gradually marginalised in multilateral mechanisms given its protectionist and unilateralist impulses. On the other hand, Beijing has pledged to stick to multilateralism and free trade. According to its 15th Five-Year Plan (2026-2030), China intends to increase imports and reach more regional and bilateral arrangements on trade and investment. The Belt and Road Initiative and China's lead in the green energy industry (electric vehicles, solar panels, etc.) have boosted its trade and investment across Asia, Europe, Africa and Latin America.

Indeed, Beijing is not only expanding its economic outreach, but also promoting its role as a staunch supporter of globalisation and multilateralism at a time when Washington is turning away.

The Sino-US rivalry is destined to be a long and challenging game; the outcome is not predetermined. The United States remains superior to China in many areas, while China faces many hurdles ahead. Yet, developments in 2025 may reveal, to some extent, who is playing the game better and wiser, and who is on the right track. The state of flux and instability will need to be managed.

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