

# Can China outmuscle Trump to become the world's superpower?

*Militarily, diplomatically and economically, Beijing is challenging America's dominance at every turn. Could it soon overtake it?*

by Mark Urban, The Sunday Times, Sunday 13<sup>th</sup> April 2025

At the end of a week in which the Trump administration's battle with China reached new heights, the fear is that this is just the start. From trade and finance to actual military capability, the People's Republic has spent decades preparing to take over as the world's most powerful nation – and it is becoming clear that that moment is now much closer.

## Beijing ready for a 'fight to the end' in trade war

Trump and his team have sought to tackle one manifestation of declining American power – a trade deficit that last year topped \$295 billion in China's favour. However, their approach has only exposed the scale of the challenge facing Washington across multiple fronts.

There was a long-held assumption that China's own demographic and economic concerns would deter it from pursuing a full trade war with the United States, since access to American markets is so important. But the Trump tariffs brought tit-for-tat actions that have dispelled this belief.

On Wednesday the White House announced a 90-day moratorium on most of the tariffs that have upended the world economic order, but increased its tariffs on Chinese goods to 145% – although it emerged on Saturday that its smartphones and other consumer electronics would be exempt. Beijing responded with a 125% tariff on US imports. The Chinese commerce ministry declared that the tariff hikes exposed "the blackmailing nature of the US. China will never accept this ... China will fight to the end."

China is retaliating from a position of strength. Although it had a massive volume of sales to the US prior to the tariff battle beginning, they only amounted to 2 per cent of its total GDP.

## China has a debt weapon – but will it pull the trigger?

Just as the inequality in trade is the result of long-term factors that cannot quickly be addressed, so the mid-week events in the bond markets, arguably the worst day for US debt in 40 years, have left central bankers wondering whether the dollar's era as the world's financial safe haven is over. The turbulence was caused by financial players in Japan and Europe selling American bonds to cover their losses on share markets, but initial suggestions that China was driving the sell-off underlined the latent power to inflict immense damage on the US economy that Beijing has acquired by becoming a major holder of American sovereign debt.

Some analysts continue to believe that Beijing is unlikely to dump American debt because the blowback could harm China's interests. But then people used to feel the same way about a tariff war, that self-interest would prevent it getting out of hand.

In the present stand-off, given market volatility, there is a great deal of fear that the Chinese will use their debt weapon. George Saravelos, of Deutsche Bank, warned: "The next phase risks being an outright financial war involving Chinese ownership of US assets both on the official and private sector front ... the loser will be the global economy." The Chinese share of those American sovereign assets, Treasury bonds, is 2.6 per cent, which amounts to more than \$750 billion of the \$36 trillion federal debt mountain.

## Dizzying pace of shipbuilding makes Beijing a growing threat

Another fixed idea, that America maintains military dominance, could also be dissolving.

Large-scale military drills near Taiwan have become so regular that the People's Republic could move swiftly to blockade the island, leaving the US with limited options. The situation is exacerbated by the fact that the naval balance of power has in recent years started to tilt against the Americans.

Rear Admiral Mike Studeman, who until 2023 ran the Pentagon's office of naval intelligence, told me that "the Chinese very well could prevail in any number of different contingencies" against the US navy. Those who asked whether the Chinese could win in 2027 or 2030, particularly in home waters, were missing the point, he said, noting that even today, "they're every bit a peer".

Studeman, a Mandarin speaker who ranked as one of the leading China analysts in the US national security community, argued that the new reality at sea is part of a much broader, long-term approach by the People's Republic. "The Chinese are organising in an industrial way to realise the conversion of latent power into ready power," he says, "and this has been the weakness of the United States, to see this very basic thing."

A joined-up approach, rooted in the Chinese Communist Party's decades-long planning, lies behind changes in the military balance as much as it does the trading one.

Trends in shipbuilding are a particular bugbear for Trump. In 2024 Chinese yards launched more than 250 vessels compared with five built in America. The combined tonnage of those ships made in China that one year exceeded the total made in all American yards since 1945. Those mind-boggling numbers relate mainly to their dominance of the commercial ship-building trade. But when it comes to construction for their navy, the Americans have also proved unable to change the dynamic – and a shortage of skilled workers in this space suggests that there will be no quick fix here.

It's been a couple of years since the Chinese overtook the US in terms of major warships and submarine numbers, with 234 to the Americans' 219. Their dizzying pace of shipbuilding has added 29 cruisers, destroyers and frigates to the fleet during the past decade, as the Americans beset by construction and maintenance issues have been unable to keep up.

While the US navy retains many areas of advantage, notably in the quality and number of their submarines, even these could come into question if trends continue. They have been struggling to build the two submarines a year needed to maintain their present fleet at about 60 boats.

Up to now, the People's Republic has emphasised surface ship construction, but bolstering their underwater force "may be the next step for China", Nick Childs, senior naval analyst at the International Institute for Strategic Studies, said.

The partnership between Presidents Xi and Putin that has strengthened since Russia's full-scale invasion of Ukraine in 2022 may help, with critical technology transfers potentially providing solutions to China's pursuit of better, quieter subs. Childs said that now the Chinese "may have reaped some rewards from their strategic co-operation with Russia, that's a big concern".

Conversely, while competition with China has driven many US defence programmes during the past decade, costly failures have led to tumbling numbers of US navy ships available for action.

"We don't really have a settled plan," Childs said, warning that there's no easy path for the US navy to match Chinese numbers. Part of the answer lies in working more closely with allies.

## America's allies in the Pacific rue tariffs blitz

This brings us back to the past fortnight and how the tariff war and financial instability may have changed the diplomatic dynamic. In the Pacific specifically, Japan and South Korea are key partners for the United States – whether that's in trade, finance or regional security.

Over the past two frantic weeks the White House tried to revive the shipbuilding sector with an executive order to restore US maritime power – it even included extra charges on importers using Chinese-built merchant ships, further adding to the chaos in global trade.

A new partnership was announced too between US and South Korean shipbuilders, which aims to raise production in America, but of course that's a long-term gambit. It won't deliver new ships any time soon.

The Americans also want to use shipyards in South Korea and in Japan to refit their warships as part of a strategy to clear their own slipways for the construction of more new vessels. But those key Pacific allies were also among the hardest hit by Trump's tariffs (though their losses could be lessened by the 90-day moratorium). China is already trying to exploit the mistrust resulting from this recent turbulence to lure away Washington's traditional allies.

"I think we're blowing whatever advantages we had," Studeman said of the tariff wars, noting that the imperative now with friends in the western Pacific should be "something that builds on where the Biden administration left off and where they did so much amazing repair of the damage that Trump 1.0 had done".

More broadly, the US administration has tried to use Wednesday evening's abrupt change of course, announcing the moratorium on import duties, to gather its allies in a common front against China.

Building closer ties with the Chinese would be "a losing proposition", the US Treasury secretary Scott Bessent told European leaders, predicting that, taxed out of US markets, Chinese firms would look elsewhere to ship their low-cost goods. "Guess where they're going to land?" he said. "On European shores."

On Friday the European Commission announced a pause of its own higher tariffs on American goods, a partial win for the new Trump approach. Will the EU now do what Washington wants and push up its own barriers against Chinese exporters? The bloc raised its duties a few months ago on their electric vehicles so it's not impossible, but generally the Europeans are likely to shy away from Trump-style blanket tariff hike on Chinese goods.

If anything, the unpredictability of the seismic global economic tremors radiating from the White House are pushing them in the other direction. The South China Morning Post reports that the EU's senior leadership is due to hold talk in Beijing in July, with both sides seeking to mitigate the impact of US tariffs.

So while Team Trump has insisted that everything is going to plan, the outlook remains bleak in many ways. Significant new barriers to trade are in place across the board but particularly on China, undermining a relationship with the US that powered much global growth in recent years.

There is no quick solution that can stop China's rise as a great power and the erosion of America's position in the world.

American attempts to reverse China's economic and military momentum date back to the previous Trump term and span Joe Biden's administration. Yet despite these measures the US debt has kept growing, and other critical indicators from manufacturing to US navy fleet strength continued to drop.

China, despite its defiant tone last week, may prefer to compromise for now over the terms of trade as the reality of billions in lost American sales bites. But that outcome would come at a price, one of collateral damage across the world to livelihoods, markets, and alliances.

And even then, any hard-won American gains could take many years to realise, while China's rise on the world stage continues apace.