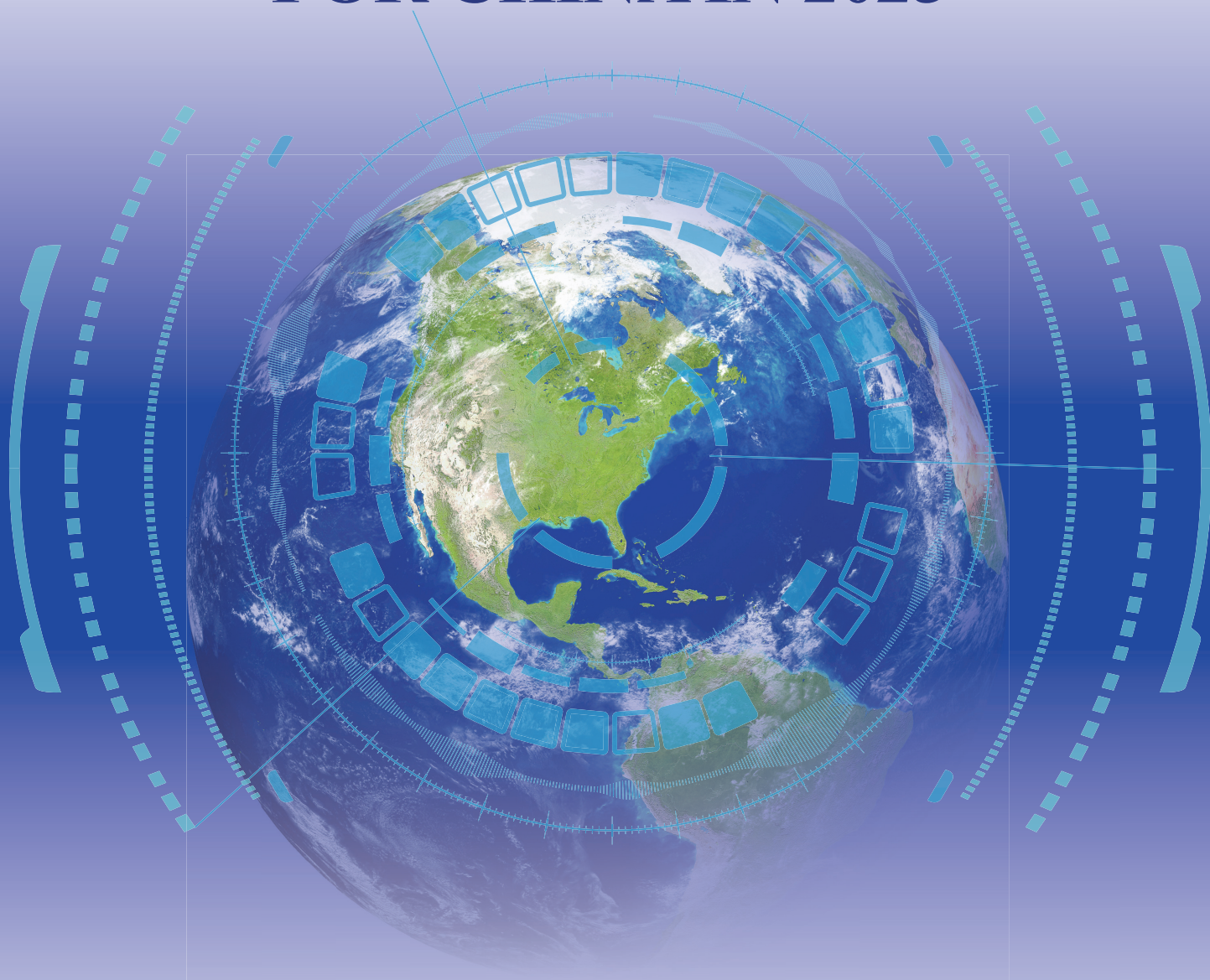


EXTERNAL SECURITY RISKS FOR CHINA IN 2025



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Donald Trump’s re-election at the end of 2024 reaffirmed the fundamental shift in the international order. Against this backdrop, the impacts of key factors such as the new U.S. administration’s bold shifts in domestic and foreign policy, the persistent slowdown in the global economy, and the potential escalation of geopolitical conflicts could combine to bring China to a critical turning point, where its external security environment undergoes significant change.

The Center for International Security and Strategy (CISS) at Tsinghua University, following extensive research involving more than 40 experts in international relations, along with representatives from government agencies and enterprises, conducted a systematic assessment of the major external security risks China is likely to face in the coming year. Eight key risks were identified and ranked in order of significance:

1. China-U.S. confrontation

2. Economic risk shocks

3. Taiwan Authorities’ “Salami Slicing” Tactics

4. The chain reactions of the Ukraine crisis

5. The South China Sea dynamics between China, the U.S., and the Philippines

6. The Escalation of AI Security Threats

7. An Increasingly Turbulent Neighborhood

8. An uncertain Europe

1. China-U.S. confrontation

In 2025, the Trump administration may adopt a more confrontational approach towards China across multiple areas, including trade, technology, and more. For instance, the U.S. could impose additional tariffs on Chinese goods or even revoke China's Permanent Normal Trade Relations (PNTR) status, potentially escalating the trade war between the two nations. At the same time, the U.S.-led "friend-shoring" strategy could be implemented through legislation, urging strategic industries to return to the U.S. or relocate to "friendly countries," thereby accelerating the process of "de-China-ization" in global supply chains. These measures would severely impact China's exports to the U.S., with significant repercussions for China's trade balance and supply chain security.

Drawing on lessons from Trump's first term and the Biden administration, U.S. technological measures against China are expected to become more sophisticated. The Trump administration is likely to impose stricter export controls on semiconductor hardware while stepping up efforts to curb China's influence in setting artificial intelligence industry standards. Targeted restrictions on investments in China are also anticipated. These sweeping technology curbs would pose significant obstacles to China's research and industrial development.

The U.S. may once again raise the issue of COVID-19's origins, continue to politicize matters related to Xinjiang and Tibet, and leverage public opinion to associate China with certain countries, further intensifying international pressure. Meanwhile, the already tense China-U.S. relationship could deteriorate further due to unintended military encounters in the air or at sea, or inflammatory rhetoric from certain politicians, triggering an escalating cycle of sanctions and counter-sanctions. Such tensions would not only strain bilateral relations but also hinder exchanges and cooperation across multiple sectors, from economic affairs to cultural engagement.

2. Economic Risk Shocks

In 2025, global economic and financial risks are expected to rise significantly. Against the backdrop of external geopolitical pressures and internal economic downturns, China faces an increased risk of capital outflows. This is particularly true if the U.S. further intensifies its economic sanctions on China, restricting the use of the yuan in international settlements, while the Federal Reserve maintains its high interest rate policy. In such a scenario, global capital could accelerate its flow back into U.S. dollar assets, putting additional pressure on the yuan and further devaluing it.

The growing interconnection between cryptocurrency markets and traditional financial systems has introduced new systemic risks to the global financial landscape. Cryptocurrencies are highly volatile, with high leverage in derivative markets and opaque transactions. These fluctuations could impact the stability of China’s financial markets through channels such as exchange rates and interest rates.

The global debt crisis is also deepening, with many developing countries facing mounting pressures from imported inflation, substantial depreciation of local currencies, and capital outflows. The rising risk of sovereign defaults in several countries could trigger regional financial crises, which would, in turn, affect China’s investments and trade interests in these regions.

3. Taiwan Authorities’ “Salami Slicing” Tactics

The rise of Lai Ching-te has introduced new uncertainty into the Taiwan Strait situation. As a long-time self-described “pragmatic worker for Taiwan independence,” Lai’s political ideology and policy direction warrant close scrutiny. The deterioration of cross-strait relations is already evident in economic and trade data, with cross-strait trade in 2023 declining by 15.4% year-on-year. If Lai continues to advance pro-independence policies, this downward trend is likely to persist.

Beijing has consistently pursued peaceful reunification, but the Taiwan authorities’ persistent use of “salami slicing” tactics to create de facto independence—and even push toward de jure independence—is placing increasing strain on the mainland’s peaceful reunification strategy.

While the probability of the Taiwan authorities taking drastic measures in the short term remains low, their pro-independence stance, combined with deepening engagement with U.S. pro-Taiwan forces, will continue to escalate tensions in the Taiwan Strait. Military ties between the U.S. and Taiwan are expected to grow stronger, with an increase in joint military exercises, more frequent exchanges, and expanding levels of cooperation. The U.S. is actively promoting Taiwan’s inclusion in the “NATO+” framework, establishing a multilateral military cooperation mechanism with allies such as Japan and South Korea. These developments will significantly reshape the security landscape in the Taiwan Strait. Meanwhile, the Taiwan authorities may seek breakthroughs in “substantive diplomatic relations,” further exacerbating cross-strait tensions.

4. The Chain Reactions of the Ukraine Crisis

In 2025, conflicts in multiple regions may experience new and complex developments. The Russia-Ukraine conflict may escalate once again before reaching any peace negotiations, with the risk of edging closer to nuclear war. This ongoing conflict is profoundly reshaping the geopolitical landscape in Central Asia, presenting significant challenges to the Belt and Road Initiative. As Trump may reduce U.S. aid to Ukraine, the likelihood of European countries sending troops to support Ukraine increases, and such changes will affect China's strategic positioning on the Eurasian continent. The situation in the Middle East is also becoming more complex, with Israel possibly asserting greater influence over the region and applying more pressure on Iran, particularly through potential strikes on Iran's nuclear facilities. For China, the persistence and escalation of these regional conflicts could lead to sharp fluctuations in energy prices, disrupt global supply chain security, and present greater challenges for Chinese businesses seeking to expand internationally.

5. The South China Sea dynamics between China, the U.S., and the Philippines

The situation in the South China Sea may significantly intensify between mid and late 2025. With U.S. support, the Philippines may take more provocative actions, including joint patrols, military exercises, and possibly seeking to revive or initiate new international legal proceedings over the South China Sea disputes. Strengthened U.S.-Philippines military cooperation will increase the frequency of maritime standoffs and heighten the risk of accidental conflicts with China. The U.S. has publicly stated that any "attack" on Philippine vessels will trigger the Mutual Defense Treaty, directly complicating China's efforts to safeguard its interests in the South China Sea.

At the same time, countries outside the region may intervene in South China Sea matters under the guise of fisheries, environmental protection, and resource development, disrupting China's normal maritime law enforcement and resource extraction activities. The Philippines may also push for the inclusion of South China Sea sovereignty and maritime rights disputes in more international discussions, further intensifying diplomatic pressure on China regarding the South China Sea issue.

6. The Escalation of AI Security Threats

The prioritization of emerging technologies for military applications has become an irreversible trend. By 2025, as the pace of artificial intelligence (AI) development accelerates, major powers may enter a new arms race, posing a serious threat to global strategic stability. This risk is particularly acute in early warning and decision-making systems, where technological failures or misinterpretations of outcomes could inadvertently escalate conflicts. The inherent unpredictability of autonomous learning technologies further complicates control over attack triggers, making weapon deployment increasingly difficult to regulate.

Meanwhile, the rapid advancement of generative AI is fueling the proliferation of disinformation, heightening the risk of false narratives specifically targeting China. In the realm of cybersecurity, transnational hacker organizations may leverage emerging technologies to develop sophisticated attack tools aimed at China's financial systems and cross-border payment platforms. Such threats could disrupt international transactions and undermine the internationalization of the yuan, adding another layer of vulnerability to China's financial security.

7. An Increasingly Turbulent Neighborhood

By 2025, political and social risks in China's neighboring regions are likely to become more acute. Myanmar remains mired in instability, with the military government losing control and civil war intensifying. Ethnic armed groups could seize control of territories along the Myanmar side of the China-Myanmar border, raising the risk of conflict spilling over into China.

In Pakistan, terrorist activities may reach new levels, with suicide bombings and explosions directly targeting Chinese assets, posing a significant threat to the development of the China-Pakistan Economic Corridor. Meanwhile, the Islamic State's Khorasan branch is displaying an increasing capacity for regional expansion, with a growing focus on China. These mounting security risks not only jeopardize the safety of Chinese personnel and projects in these regions but also threaten the steady advancement of the Belt and Road Initiative.

8. An Uncertain Europe

In the coming year, the European Union (EU) is expected to push forward its vision of an “economic NATO,” strengthening coordination with countries such as the United States and Japan while increasing joint pressure on China. The EU’s approach to China may become more cautious, with “de-risking” measures likely to be further implemented. From imposing anti-dumping tariffs to tightening investment scrutiny, the EU may introduce a series of policies aimed at encouraging businesses to reassess their strategies regarding China. In sectors such as new energy vehicles and the digital economy, trade restrictions may escalate, and additional anti-subsidy investigations targeting China could be launched. Meanwhile, the China-Europe Railway Express may face heightened geopolitical disruptions, as countries like Poland and Lithuania could impose restrictions on Chinese logistics firms under the pretext of security concerns.

Internally, divisions within Europe may deepen, with some nations aligning more closely with the U.S. in imposing new export controls on China, particularly in critical areas such as semiconductors and artificial intelligence. Although the 2024 European Parliament elections may offer opportunities for policy recalibration, the structural contradictions in China-Europe relations are unlikely to be resolved in the near term.

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