Opinion **US-China trade dispute**

If Trump is trying to suppress China, he's going about it all wrong

The shock of tariffs is pulling Beijing back to economic fundamentals

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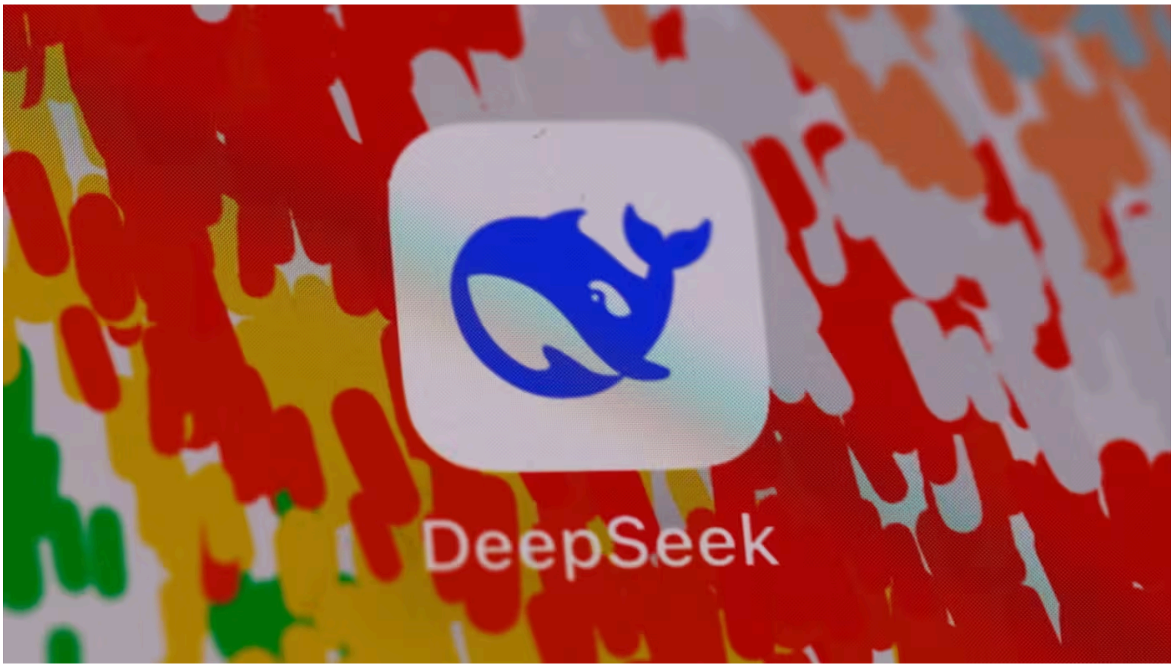

Low-cost AI model creator DeepSeek was born under constraint. It is now being deployed around the world © Andrey Rudakov/Bloomberg

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Technological leaps are rarely born in comfort. They are forged in conflict, competition and necessity. From nuclear energy to the space race, and now the unfolding artificial intelligence rivalry between the US and China — innovation accelerates when the stakes are highest. US President Donald Trump's catastrophic tariff war may inflict serious economic pain on China, but it could also ignite a technological surge — not by design, but by necessity.

Although China's most urgent economic challenge remains internal, 125 per cent US tariffs give Beijing a clear pretext to act — to stimulate aggressively, subsidise strategically, sharpen its survival instinct and double down on technological supremacy.

If Washington's aim is to suppress China's rise, it's going about it all wrong.

Tariffs don't just alter trade flows — they redirect resources and reshape industrial structures. If Trump's goal was to curb China's technological progress, he would keep tariffs low on the bulk of Chinese exports to the US, locking the country into low-margin basic manufacturing. He would encourage high-tech exports to China, making sure that progress in its advanced components stalls.

But this is the opposite of what's happening. Ironically, just as the "China shock" pushed the US out of low-end manufacturing, the "Trump shock" is propelling China to reallocate resources into higher value, advanced technologies that compete directly with the US.

Beijing has drawn its conclusion: innovation and core technology control is the only sustainable defence against tariffs. Companies with proprietary technology — like Huawei and BYD — are more insulated from tariffs and supply-chain shocks. China envisions a new tech supply-chain model: regional production, tech sovereignty and global supply-chain redundancy.

Never have technology and innovation been as central to China's national agenda as they are today. The "AI+" strategy aims to rapidly embed AI in all sectors possible. Low-cost AI model creator DeepSeek was born under constraint. It is now being deployed around the world.

In 2019, a Rmb200bn "bottleneck technologies" fund was established to ensure 70 per cent domestic substitution in critical areas within three years. China is investing heavily in photonic quantum computing, building low-orbit satellite networks to rival Elon Musk's Starlink and laying the foundation for commercial space stations. It is targeting breakthroughs in chipmaking equipment and leads the world in factory robot density.

If China had been drifting towards elevated state-led agendas, the tariff shock is pulling it back to economic fundamentals. The trade war is functioning as a reset, reaffirming the primacy of growth and competition. Support for the private sector is showing signs of revival. Tax relief and business-friendly policies are returning.

Technological restrictions often have unintended consequences. Rather than stalling progress, they redirect demand inward. Take semiconductors: China consumes a third of global chips and once relied heavily on US suppliers. Sanctions didn't reduce that demand — they rerouted it. Now, domestic companies such as SMIC are reporting record revenues and reinvesting in R&D.

As the Chinese saying goes, good companies don't "lie flat" — they adapt. The first wave of Trump's sanctions sparked a globalisation frenzy. Chinese companies moved quickly to relocate production, expand into new markets and alter their business models. Shenzhen-listed Transsion now holds 51 per cent of Africa's smartphone market. Smartphone maker Xiaomi derives 75 per cent of its revenue from overseas.

Rising tariffs also accelerate the shift towards digital supply chains, service trade and cloud infrastructure — trends that play to China's strengths in digital platforms, AI and ecommerce. Though still a manufacturing powerhouse, China accounts for less than 6 per cent of global service trade, leaving vast room to grow as that explodes relative to goods.

History has seen this dynamic before. When Napoleon tried to cripple British trade through the Continental System, Britain pivoted towards Asia, Africa and the Americas, towards industrialisation and mechanisation. Rising costs and pressure on wages were the catalysts for the steam engine, textile mills and naval power.

The US may be repeating that mistake. If making America great again is its goal, Trump should not fear a comfortable China; he should fear a constrained one.

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