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China in Asia in 2025 – a reliable rock in a stormy sea?

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POLICY BRIEF

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Introduction

We are living in an era of constant surprises and shifting power dynamics. From Trump's political resurgence and abrupt US trade shifts to the unravelling of global alliances, disruption has become the new normal.

China, too, has delivered seismic shocks, upending assumptions about its economic trajectory, technological ambitions, and global influence. Once a powerhouse of growth, it now faces sluggish consumer demand, deflation, and a deepening real estate crisis. Yet, at the same time, it is driving breakthroughs in AI—with DeepSeek challenging US dominance by producing open-source models that rival top Western AI systems at a fraction of the cost.

The question is no longer whether disruptions will happen, but how to interpret them—and seize opportunities. Just as evaluating a company requires weighing both assets and liabilities, understanding China demands a balanced view of risks and opportunities. This report takes an Asia-Pacific perspective, providing a strategic, holistic view of China's evolving role. Four key issues define the opportunities and challenges of understanding China: its growing global influence, green transition, technological advancements, and economic trajectory. How the region navigates these complexities—grounded in sustainable development—will determine whether it fosters peace and prosperity or faces rising tensions and instability.

China's international clout and challenges

As the Trump administration aims to reshape trade, investment, security, and sustainable development governance with the world, is China emerging as the preferred partner for Asia, the Pacific, and beyond? Has the US "isolationism will help Beijing" by enabling stronger partnerships with nations disillusioned by erratic US leadership as noted by Western analysts?[1]

In last year's Griffith Asia Pacific Strategic Outlook, we highlighted China's expanding—and often underreported—influence in mini-lateral and multi-lateral forums. This has been evident in its leadership role across key platforms such as the Shanghai Cooperation Organization (SCO), the Belt and Road Initiative (BRI), the Global Development Initiative (GDI),the Regional Comprehensive Economic Partnership (RCEP) and BRICS. China's institutionalisation of its global power in these alternative multilateral forums—outside Western influence—continued to accelerate in 2024. Under Russia's 2024 BRICS chairmanship, the bloc expanded significantly, welcoming Egypt, Ethiopia, Iran, and the UAE at the 16th BRICS summit. In a move that surprised many Western observers, UN Secretary-General Guterres attended and underscored BRICS' growing role in global cooperation. [2] Indonesia officially joined BRICS in January 2025, while Nigeria and Belarus are now on track for full membership, signal the bloc's expanding influence. Meanwhile, the SCO took a major step by admitting Belarus— the first European nation to join.[3]

China has bolstered bilateral ties across the Asia-Pacific. With Vietnam, it announced two new railway lines to boost trade, which surged nearly 20% in 2023-2024 to surpass $200 billion. [4][5] China and Indonesia held their inaugural Senior Official Meeting (2+2 SOM) discussing counterterrorism cooperation.[6] In December 2024, a high-level dialogue between Japan and China eased some tensions, leading to relaxed visa rules for Chinese tourists and an agreement to hold the Japan-China Security Dialogue, despite ongoing tensions in the South China Sea and Fukushima radioactive water release issue[7]. China also engaged with the Pacific nations, hosting five heads of state (Samoa, Fiji, Nauru, Solomon Islands, and Vanuatu) on separate occasions in Beijing.[8] Finally, in January 2025, China mediated a ceasefire agreement in Myanmar, supporting both local and its own border security and economic interests.[9]

China has escalated military and "grey zone" operations. Clashes between the Chinese Coast Guard (CCG) and Philippine ships in the South China Sea resulted in what officials called the "most violent" and "most dangerous" encounters, forcing a Filipino withdrawal from the Sabina Shoal.[10] It also escalated military operations around Taiwan, simulating significant military engagement with large-scale drills like "Joint Sword-2024B" involving the People's Liberation Army and the CGG.[11]

Looking ahead to 2025, US-China relations may, paradoxically, improve as Beijing tailors its approach to Trump's deal-making tendencies over ideological conflicts. Meanwhile, China will present itself as a reliable partner to regional and global allies, emphasising its peacemaker role in Myanmar while avoiding US-sensitive conflicts like Israel-Gaza. Multilaterally, China will deepen its influence, using the fifth Belt and Road Forum and 2025 APEC Summit as global litmus tests. It will also fill US vacuums in UN institutions, strengthening its global leadership. However, this diplomatic outreach will not slow China's military assertiveness. It will continue fortifying the South China Sea, making territorial opposition more costly, while testing US responses through "grey zone" operations—blending coercion with calculated restraint.

RECOMMENDED ACTIONS:

1. Establish Clear Red Lines on Sovereignty: Establish clear and enforceable boundaries against China's territorial ambitions to protect national sovereignty and self-determination. This approach should go beyond national security to uphold the legitimate self-governance rights of affected nations, countering China's narratives of Western dominance while mitigating risks posed by shifting US territorial policies.
2. Enhance Multilateral Engagement: Strengthen forums such as RCEP and APEC as key platforms for multilateral cooperation that represent more balanced interests in the Asia-Pacific region. Meanwhile track and analyse China's engagement at multilateral, mini-lateral, and bilateral levels —across trade, investment, defense, aid, standards, and trade barriers — to inform effective responses.
3. Foster Smart Collaboration: Leverage China's ambition to expand its multilateral and mini-lateral engagement to encourage greater cooperation on climate change, inclusive growth, and peacekeeping. Strengthen collaboration with Chinese policymakers, businesses, and researchers to drive meaningful actions.

Green development

China continued to solidify its leadership in various green technology. The developments in EVs and renewable energy have likely received most attention (also noted in our last year's report), supported by ongoing technological dominance, stabilising costs from stricter manufacturing standards and reduced export rebates. To counter Chinese dominance, import restrictions have been put in place, such as Brazil's increased tariffs on photovoltaic modules (9.6% to 25%) and Europe's tariffs on EV imports (the US has also closed loopholes in solar panel imports). Nevertheless, Chinese leadership in EVs has allowed BYD, a Chinese manufacturer, to surpass Tesla as the world's largest EV producer in deliveries in Q4 2024, while German automakers lost nearly half their Chinese market share over the past five years (26% to 14%) due to missed EV transitions (see Figure 1).[12]

Figure 1: German Automakers are losing out in China's EV Shift[13]

Source: Authors

Importantly, China also invests in other green technologies, accelerating global competition and providing economic and green transition opportunities, foremost green hydrogen, green steel, and transition minerals.

China's green hydrogen opportunity

China, the world's largest hydrogen producer and consumer[14], accounts for a third of global production, with demand exceeding 33 million tons annually[15]. It also leads in alkaline electrolyser production, holding 50% of global capacity. However, hydrogen production remains fossil fuel-dominated (80.3%) and industrial byproducts-based (18.5%), with green hydrogen at less than 0.1%. Expanding green hydrogen is crucial for China's carbon neutrality goals, especially in chemicals, steel, and heavy transport. High costs and limited infrastructure pose challenges.

To address this, China's National Development and Reform Commission (NDRC) and National Energy Administration issued the Hydrogen Energy Plan (2021-2035) [16]. By 2025, China aims to produce 100,000–200,000 tons of green hydrogen annually and deploy 50,000 hydrogen fuel cell vehicles (HFCVs). By 2030, renewable hydrogen should support decarbonisation, with a greater role targeted by 2035. Regional plans complement national efforts. Inner Mongolia and Gansu aim for over 1 million tons of renewable hydrogen annually by 2025, surpassing national goals but still only reaching about 5% green hydrogen share. Infrastructure projects, including Sinopec's 400-km hydrogen pipeline and a proposed 737-km line in Hebei, address supply-demand mismatches. Sinopec plans a 6,000-km hydrogen network by 2050, with demand expected to reach 100-130 million tons by 2060, mostly from green hydrogen. [17] Policies have spurred $10.33 billion in hydrogen investments and price reductions. China's largest green hydrogen complex supplies at 35 yuan/kg ($4.86/kg), nearing diesel competitiveness for trucking. [18]

However, China still depends on imports, particularly from Japan and South Korea, for critical technologies like fuel cells, storage, and refuelling stations. Geopolitical tensions and tech transfer restrictions could slow progress, but collaboration opportunities in green hydrogen remain.

China's green steel expansion

By 2024, China had installed electric arc furnace (EAF) to produce green steel with a capacity of 151 million tonnes per annum (mtpa)[19] and had approved an additional 7.1 million tonnes capacity in the first half of 2024[20]. This capacity is theoretically equivalent to the combined steel production of the US and Japan in 2023 and about 15% of China's total steel production in 2024 (up from 10.1% in 2023[21]). With decreasing steel demand (set to decline by 20% of more) [22] and a rapidly aging steel manufacturing base (78% of China's steel assets will need to be retired or refinanced by 2030), China has a unique window for accelerating its transition to low-carbon steelmaking technologies.

At this time, however, coal-based steel remains more cost effective[23]. To succeed in the green steel transition, carbon prices over US$50 per ton of CO2 (currently the carbon price is about US$15 per ton of CO2 in China and US$86 in the EU) and green hydrogen price below US$2.80 per kg are needed as well as substantial capital investment of at least CNY1.6tn (USD220bn) by 2050 to build out capacity[24]. To address these concerns, Hebei province, which accounts for 11% of global steel production, has released credible guidelines for transition finance in the iron and steel industry in 2024[25], aiming to catalyse green investments. Further in support of China's green steel transition are two carbon price developments:

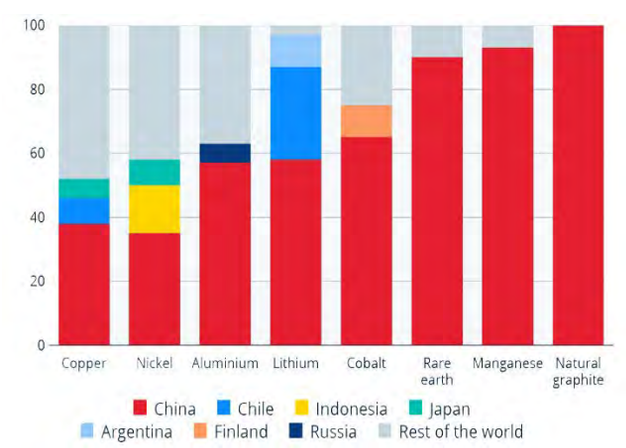
- the EU's Carbon Border Adjustment Mechanism (CBAM) which puts a 6 per cent tax on steel as early as 2026, which will rise to as much as 21 per cent in 2034 according to estimates by investment bank Goldman Sachs[26],
- China's inclusion of steel into its national emission trading system (ETS) from 2024 onwards[27]. [28]

Further challenges, such as a lack of available scrap materials necessary to produce steel without carbon has left parts of installed EAF capacity underutilised[29]. Finally, with various Asian countries having a vested interest in exporting steel (such as Korea and Japan), steel importing countries have opened 25 anti-dumping investigations against Chinese steel exporters in 2024, the most since 2016, challenging China's role as (green) steel exporter[30].

China's critical mineral dominance

The race towards securing minerals and processing capacity continues to accelerate with multiple minerals being key ingredient for batteries, solar power and other aspects relevant for the green transition. China's dominance in critical mineral mining and processing has become both envied and a source of geo-strategic competition. China managed to control approximately 80% of natural graphite production and 60% of mined magnet rare earths in 2024[31]. China dominates the refining and processing stages producing 99% of battery-grade graphite, over 60% of lithium chemicals, 40% of refined copper, over 80% of refined magnet rare earths, and 70% of refined cobalt[32] (see Figure 2). China's investments in critical minerals abroad hit record highs in 2023[33], targeting markets like Indonesia and Australia.

Figure 2: China's role in minerals production in 2023[34]



Source: UNCTAD, OECD

This dominance in critical mineral processing has enabled China to undercut competitors, boosting its commercial appeal and deepening global reliance on its exports. In response, the US, EU, and other nations are pursuing strategies to reduce dependency on Chinese supply chains. Some countries are also restricting Chinese investments in critical minerals; for example, Australia recently ordered China-linked entities to divest their shares in rare earths developer Northern Minerals[35].

RECOMMENDED ACTIONS:

1. Identify Collaborative Opportunities in Green Technology: Engage in-depth research to better identify trends and opportunities in green technology that allow for collaboration rather than head-on competition in areas where China has a technological or other competitive lead (e.g., in hydrogen).
2. Facilitate Green Trade Partnerships: Implement export-enabling policies to support collaboration in green technologies and products, such as Australia supplying green hydrogen or green ammonia for China's decarbonisation efforts.
3. Balance National Security and Sustainable Investment Policies: Improve understanding and policy making for Chinese investment to balance national security concerns with environmental and social governance (ESG) standards across supply chains, including demand-side regulation of green technologies.

Technology – moving (far) beyond Made in China 2025

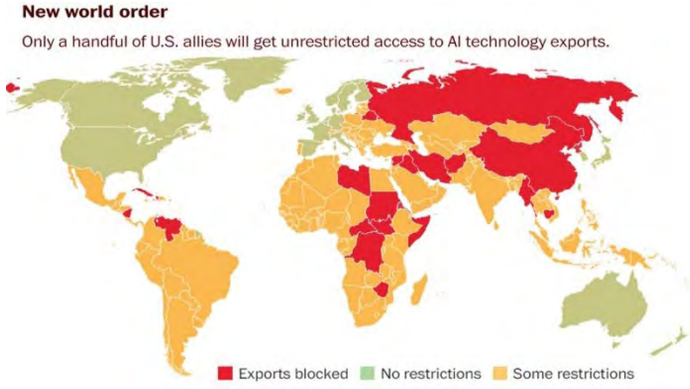
As the country's Made in China 2025 concludes this year, its results can largely be deemed a success. [36] China continues to accelerate its economic transformation toward a more sustainable, innovation-driven growth model with a focus on "new productive forces"—backed by $1.6 trillion in annual investments (equivalent to Australia's GDP) into advanced industries, education, research, and policy. Beyond green technologies, three key advancements are reshaping China's competitive edge: artificial intelligence, semiconductors, and digital payment solutions—driven by intensifying global competition and the rise of new sectors like the 'low-altitude economy'.

Artificial Intelligence and chips

Since 2017, the technology competition between the US and China has escalated, marked by tariffs, export controls, and market access restrictions. This conflict centres on gaining dominance in critical future technologies, particularly artificial intelligence (AI) and semiconductors.

Both China and the US view AI as a cornerstone of their economic dominance and a critical pillar of national security, whereas most other regions have yet to develop leading AI models. Accordingly, both nations have taken various measures to hinder each other's progress. Since June 2024, the Chinese government has introduced a series of regulations to safeguard its rare earth supplies, covering mining, smelting, and trading activities while reaffirming state ownership of these vital resources[37]. On January 13, 2025, the Biden administration announced unprecedented export controls on advanced computer chips and technologies critical to AI projects. The policy includes quotas on GPU sales to most countries (see Figure 3), with a key focus on targeting Chinese efforts to bypass previous restrictions imposed over the past two years. [38]

Figure 3: Map of countries experiencing access restrictions for United States AI technology



Source: Commerce Department

Investments in AI development have surged in line with national ambitions. A leading state-backed investment firm, China International Capital Corporation (CICC), estimates that China's AI industry is projected to invest over 10 trillion yuan (approximately US$1.4 trillion) in developing the technology over the next six years from 2024[39]. Meanwhile, on January 21, 2025, the Trump administration announced the $500 billion Stargate Project, calling it "the largest AI infrastructure project in history." Just a day earlier, the Chinese AI model DeepSeek R1 was launched, built at a fraction of the cost of previous models (estimated at around US$6 million). DeepSeek's R1 model reportedly matches or surpasses OpenAI's ChatGPT-4 on key benchmarks[40], showcasing China's rapid advancements despite US export restrictions.

The rapid development of Chinese AI has reignited debates over US chip export controls. Critics argue these restrictions inadvertently accelerate China's domestic innovation, as evidenced by DeepSeek's development. China has demonstrated an ability to overcome obstacles like limited access to top-tier chips through efficiency gains or by compensating for lower-quality hardware with increased quantity[41]. This raises new considerations about the effectiveness and unintended consequences of US chip export controls. On the positive side, the release of China's low-cost, open-source model could enable other countries, including Asia's emerging economies, to develop their own LLMs more effectively, fostering global innovation. However, China's narrowing AI gap may intensify US concerns over its AI rivalry with China.

Looking ahead to 2025, tech competition between China and the US is expected to intensify, further raising barriers to innovation and hindering technological collaboration between the two nations. As this divide deepens, nations caught in the middle will likely face mounting pressure to navigate a delicate balance. For instance, in 2023, South Korea, a key US ally in Asia, saw its reliance on China grow for five of the six critical raw materials required for chip manufacturing[42]. Major firms such as Toyota, SK Hynix, Samsung, LG Chem, and SK On remain vulnerable due to their dependence on Chinese supply chains and manufacturing. [43] The mere threat of supply chain disruptions could discourage Japan and South Korea from fully aligning with the US in a tech war against China. While the full impact of the Biden administration's export controls remains uncertain pending reassessment by the Trump administration, the potential consequences could be far-

reaching—nearly two dozen NATO states and India, a key Asian partner, are currently affected by these new restrictions.

De-dollarisation through RMB internationalisation and BRICSPay

Amid rising trade tensions and efforts to reduce reliance on the US dollar, China has been central to developing BRICS financial systems, particularly through BRICS Pay and RMB-based settlements. In 2023, China's Cross-Border Interbank Payment System (CIPS) processed RMB 123.06 trillion ($17.09 trillion), a 27.27% year-on-year increase. The RMB surpassed the yen as the 4th most used global payment currency, with 92% of China-Russia trade now settled in yuan or rubles. Countries like Brazil, Argentina, Iraq, and Pakistan increasingly accept yuan, with some using it for Russian transactions to bypass Western sanctions. By mid-2024, RMB accounted for 53% of China's cross-border transactions, up from 40% in 2021[44]. China has also expanded bilateral RMB swap lines to 40 countries.

Trade agreements and BRICS partnerships support RMB adoption, particularly through BRICS Pay, which seeks to establish a cross-border payment alternative to SWIFT[45]. However, internal divisions within BRICS, highlighted at the 2024 summit, pose challenges.

Despite these advances, RMB's global role remains limited, with just 2.5% international usage in 2023, far below China's 19% share of global GDP and 14.2% of trade. Capital controls and limited convertibility hinder wider adoption. While RMB's regional influence will likely grow, significant financial reforms are needed for it to challenge the dollar or euro globally.

Asia-Pacific decision-makers should prepare for RMB's growing role in trade and finance while managing risks from its limited convertibility and geopolitical tensions. Diversifying settlement options, strengthening regional financial cooperation, and maintaining flexibility in currency policies will be crucial to balancing opportunities with resilience.

China's Low Altitude Economy

China's low-altitude economy, covering activities within 1,000 meters above ground, is expanding rapidly due to advances in drone technology, eVTOL aircraft, and smart airspace networks. Driven by breakthroughs in batteries, 5G, and computing, the sector is projected to reach 1 trillion yuan ($137 billion) by 2025 and surpass 3 trillion yuan by 2030, with drones alone contributing over 1 trillion yuan. [46]

Recent developments highlight this momentum. China's largest cargo drone, capable of carrying 2 metric tons, completed its first flight in Sichuan, aiming to improve logistics efficiency. Meanwhile, a helicopter taxi service between Kunshan and Shanghai could revolutionise urban travel.[47]

Government initiatives are accelerating growth. In December 2024, the National Development and Reform Commission (NDRC) established a Low-Altitude Economy Development Division to formulate strategies and policies[48]. Since 2020, the Civil Aviation Administration of China (CAAC) has sanctioned 13 national drone logistics pilot zones. The 2024 "Interim Regulations on Unmanned Aircraft Flights" further aim to streamline sector development[49]. More than 30 provinces have now incorporated the low-altitude economy into their policy agendas, focusing on research, manufacturing, and infrastructure[50].

Despite rapid expansion, significant challenges remain. Airspace management and safety are critical as integrating low-flying vehicles into existing traffic systems poses regulatory and technical hurdles. Business models and regulatory frameworks are still evolving, creating uncertainty for investors and operators. Infrastructure development lags, with a need for better ground-based flight services. Coordination between low-altitude and traditional air traffic remains complex, requiring sophisticated protocols.

To sustain growth, China must balance innovation with robust regulatory frameworks, ensuring safe integration of low-altitude vehicles while fostering investment and infrastructure development.

Examples of significant developments in the low-altitude economy

EHang:

- On November 8, 2024, conducted the maiden flight of its EH216-S autonomous eVTOL in Bangkok, Thailand[51].
- In November 2024, successfully tested solid-state lithium batteries in its EH216-S, increasing flight endurance by 60-90%[52].

Xpeng Aeroht:

- In September 2024, announced plans to start mass production and deliveries of its modular flying car in 2026, priced at no more than RMB 2 million ($280,000)53.

Shanghai:

- On December 20, 2024, established Shanghai Low-altitude Economy Industry Development Co Ltd with a capital of RB 900 million ($123.3 million)[54].

RECOMMENDED ACTIONS:

1. Accelerate AI adoption in the Asia-Pacific: Invest in AI capacity-building to ensure regional economies benefit from AI-driven advancements in education, healthcare (especially in remote areas) and e-commerce, avoiding the risk of being left behind.
2. Enhance Financial Preparedness Amid RMB Internationalisation:
    - Strengthen research capabilities to understand the implications of RMB's expanding role in global trade and finance.
    - Encourage Asia-Pacific partners to diversify currency exposure beyond the US dollar in response to shifting financial dynamics.
    - Explore alternative payment systems like CIPS and multi-central bank digital currency projects (e.g., mBridge) to enhance financial resilience.

3. Develop a Collaborative Framework for Low-Altitude Economy:
    - Establish joint regulatory working groups with China to create harmonised policies for low-altitude economic activities.
    - Invest in infrastructure and workforce development, including flight service networks and specialised education programmes, to position the region as a leader in low-altitude technologies.

Economy

Despite headwinds, China has continued to expand its economic and policy influence in the region in 2024. It has expanded its economic engagement in Asia with more than USD 20 billion in investment and construction contracts including in new technology sectors such as renewable energy and electric vehicles production. It expanded trade dependencies, where Asian economies' share of Chinese imports rose from 15% in 2013 to 21% ten years later[55]. Yet, China's economy is undergoing significant challenges in terms of economic growth both domestically due to government debt, trade, state-owned capitalism, and uncertain investment outlooks as well as internationally in its trade relations

Understanding China's domestic economic challenges – from debt to state capitalism

China is tackling mounting local government debt with a $840 billion refinancing plan, aiming to cut hidden debt from $2 trillion in 2023 to $320 billion by 2028[56]. While debt has historically fuelled growth, inefficient allocation and the lingering effects of past stimulus measures—especially from the 2008 financial crisis—have left local governments burdened. The struggling real estate sector, a key revenue source for local authorities, has exacerbated the problem. [57]

In 2025, China is expected to adopt an expansionary fiscal policy to counter weak domestic demand. However, much of Beijing's stimulus remains focused on industrial upgrades and infrastructure rather than household consumption. [58] This risks worsening factory overcapacity and deflation while failing to stimulate broader economic activity.

State-owned enterprises (SOEs) and government-backed funds are playing an even larger role in China's economy. The 2024 Third Plenum reinforced the state's commitment to using SOEs for innovation and investment, with policymakers pushing SOEs to drive breakthroughs in key technologies[59]. Government-controlled funds, including those managed by major state-owned banks, have increased investments in venture capital, aiming to counter the withdrawal of US private equity[60]. However, inefficiencies and concerns over misallocation of capital persist, raising doubts about long-term economic efficiency. [61]

China's real estate market continues to decline, with home prices in first-tier cities falling 9.4% in 2024, and second- and third-tier cities experiencing similar drops[62]. In response, the government has introduced policies such as reduced downpayment requirements (from 25% to 15%) and state-backed purchases of unsold homes[63]. However, these measures have yet to revive confidence in the sector.

Investment challenges extend beyond housing. While stock markets showed modest gains in 2024, performance remained weak by global standards. To stabilise markets, China's central bank injected liquidity through a $70 billion swap facility for securities firms and a $42 billion relending programme for share buybacks. Additionally, Beijing directed state-owned insurers and the national social security fund to invest $13.7 billion in stocks. [64,65]

Deflationary pressures remain a significant concern, driven by weak consumer demand and excess supply[66]. The consumer price index fell 2% over three years[67], prompting the government to expand fiscal and monetary support. Efforts to boost consumption include trade-in subsidies for cars and electronics[68], visa-free travel policies, and long-delayed acceptance of foreign credit cards on Alipay and WeChat Pay[69].

As China navigates these structural challenges, its debt strategy, state-driven economic model, and investment climate will be central issues at the March 2025 Two Sessions meeting.

Trade

Beyond the domestic economy, trade remains a critical focus for China's economy in 2025. A weakening yuan enabled Chinese manufacturers to secure overseas buyers in 2024, offsetting weak domestic demand by consistently lowering prices. This strategy contributed to a record $992 billion trade surplus in 2024, a 21% increase from the previous year (see Figure 4) [70]. However, this surplus highlights vulnerabilities, including strained trade relationships and overreliance on external demand.

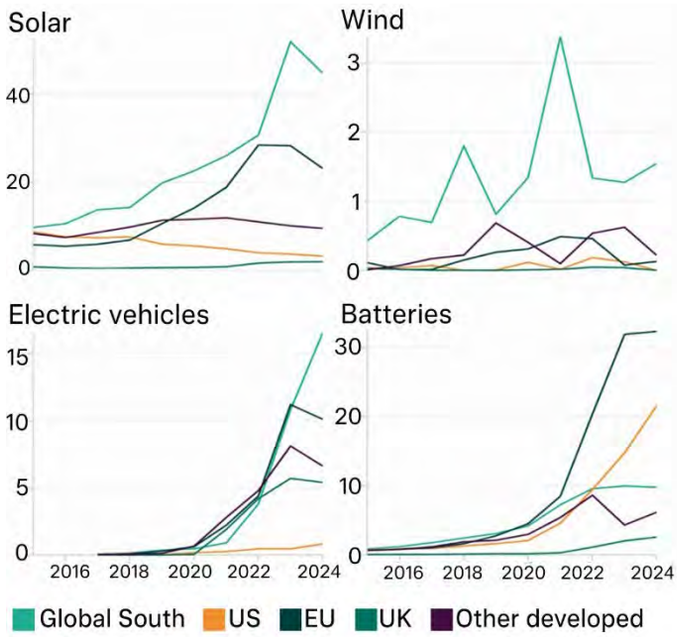
Figure 4: Export Volume Growth: China versus Rest of the World

Source: BradSetser/Michael Wellandt cfr.org/blog/setser

The Economist Intelligence Unit predicts a 20-percentage-point increase in the effective tariff rate on Chinese exports to the US under the Trump administration, potentially leading to a 20% drop in China's exports to the US and reducing its GDP growth by around 0.6 percentage points between 2025 and 2027[71]. China is expected to respond with non-tariff measures and modest tariff hikes on US agricultural and energy commodities, avoiding a tit-for-tat approach due to its large trade surplus and the economic risks of broader tariffs[72]. At the same time, new analyses reveal that the Chinese economy has become less dependent on the US as an import market (only 15% of its exports)[73], particularly for its modern industries like solar, wind, electric vehicles, and batteries, rendering tariffs less relevant for China's exports[74] (see Figure 5).

Figure 5: China's exports of new technologies to different regions shows low US dependence

Annual Figures 2015-2024 in billions of USD



Source: Centre for Clean Air, CREA, 2025[75]

An interesting development is China's elimination of tariffs on goods from countries classified as the world's least developed, starting in December 2024. This move aims not only to strengthen diplomatic ties with China but also to explore new markets and bolster the multilateral trade system, possibly as a countermeasure to the current US administration's approach to trade.[76]

RECOMMENDED ACTIONS:

1. Establish a Regional Infrastructure Investment Fund: Leverage China's massive local debt refinancing efforts, Asia-Pacific nations should seize this opportunity to establish a joint regional infrastructure investment fund. This fund would leverage China's expertise in infrastructure development while providing alternative investment avenues for Chinese capital. It could focus on critical regional projects in renewable energy, smart cities, and digital connectivity, aligning with China's technological priorities while benefiting the broader Asia-Pacific region.
2. Strengthen RCEP: With China reducing its dependence on the US market and eliminating tariffs for least developed countries, Asia-Pacific nations should push to deepen RCEP integration into a more comprehensive economic zone. This means going beyond tariff reductions to harmonising regulations, strengthening regional supply chains, and facilitating the free flow of goods, services, and skilled labour.

   A stronger RCEP would position the Asia-Pacific as a unified economic powerhouse, reducing dependence on external markets while ensuring that China remains a key player without becoming the dominant force. By enhancing regional economic self-sufficiency, member nations can increase their influence and competitiveness in global trade.
3. Launch a Regional Technology Alliance: To counterbalance China's state-driven approach to technological advancement, Asia-Pacific countries should form a bold Regional Technology Alliance. By pooling resources and talent in AI, quantum computing, and biotechnology, the alliance would create a dynamic innovation ecosystem—both collaborating with and challenging China's technological ambitions.
4. Create a Unified Asia-Pacific Consumer Market Strategy: As China struggles with deflationary pressures and seeks to boost domestic consumption, Asia-Pacific nations should develop a unified strategy to penetrate the Chinese consumer market. This plan should involve coordinated marketing campaigns, streamlined export processes, and the development of region-specific products tailored to Chinese consumer preferences. Additionally, Asia-Pacific economies must leverage collective bargaining power to demand reciprocal market access, pushing China to open up China's service sector and e-commerce platforms to regional businesses.

Conclusion

We are living in an age of surprises, where both China and the US are reshaping the global economic, technological, and geopolitical landscape, creating both risks and opportunities. These shocks are not isolated—they signal deeper structural shifts in global power, competition, and influence. In this environment, the real challenge is not just keeping up, but staying ahead—recognising patterns, understanding their impact, and leveraging them strategically. While the Asia-Pacific is well-versed in managing US relations, China remains a more complex and ambiguous challenge. China is a paradox—how one perceives it depends on the lens and distance of observation. A distant view can lead to bias and oversimplification, while a closer examination often reveals a more nuanced reality. For Asia-Pacific nations, developing deeper China expertise is no longer optional—it is essential. They must cultivate agile, evolving perspectives, foster stronger connections within China, and build firsthand understanding of its complexities. A proactive, informed strategy—grounded in accurate assessments and direct engagement—will enable them to manage risks, seize opportunities, and shape outcomes in a rapidly shifting landscape.

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