LOWY INSTITUTE

The World According to Xi Jinping

SPECIAL FEATURE

RICHARD MCGREGOR

June 2025

LOWY INSTITUTE

The Lowy Institute is an independent, nonpartisan international policy think tank. The Institute provides high-quality research and distinctive perspectives on the issues and trends shaping Australia's role in the world.

Cover image: Greg Bowker (Pool/Getty Images)

This Special Feature draws from a presentation funded by the Australian Department of Foreign Affairs and Trade. The views expressed are the author's alone and are not necessarily the views of the Lowy Institute or the Australian government.

Published 2 June 2025

31 Bligh Street
Sydney NSW 2000

lowyinstitute.org
+61 2 8238 9000

Version 2025-06-04.0

Contents

Introduction	4
Key findings	4
Foreign policy	5
Economy	7
Military	8
China’s worldview	9
Territorial claims	10
The narrative	11
Policy priorities	12
National security	13
Foreign policy players	14
Embassies and consulates	15
Culture carriers	16
The United Front	17
State-owned enterprises	18
Chinese state media	19
Conclusion	20
Acknowledgements	21
Notes	22

Introduction

The return of Donald Trump to the White House has upended geopolitics with his unpredictable, transactional, and often chaotic approach to foreign policy. But he has not changed Xi Jinping's policy calculations. Rather, he has solidified them and created openings for Xi to drive a wedge into US alliances. Xi remains committed to turning China into a prosperous, high-tech superpower that will be able not just to challenge the United States, but to surpass it in many areas.

Key findings

- Xi Jinping's more assertive foreign policy is built on a foundation of growing economic size and military clout. Xi has been able to pursue the Chinese Communist Party's longstanding aims more aggressively because he has the economic, military, and diplomatic tools to do so.

- The many arms of the party-state also push China's interests abroad. This includes the party's own foreign policy arm, multi-lingual state media outlets, state-owned companies, and United Front operations largely aimed at overseas Chinese.

- Xi has elevated national security to the core of the party-state's domestic and foreign policy apparatus. He established China's first National Security Commission in early 2014, whose staffing and operations remain highly opaque. Xi's notion of "comprehensive national security" covers both internal and external security.

Foreign policy

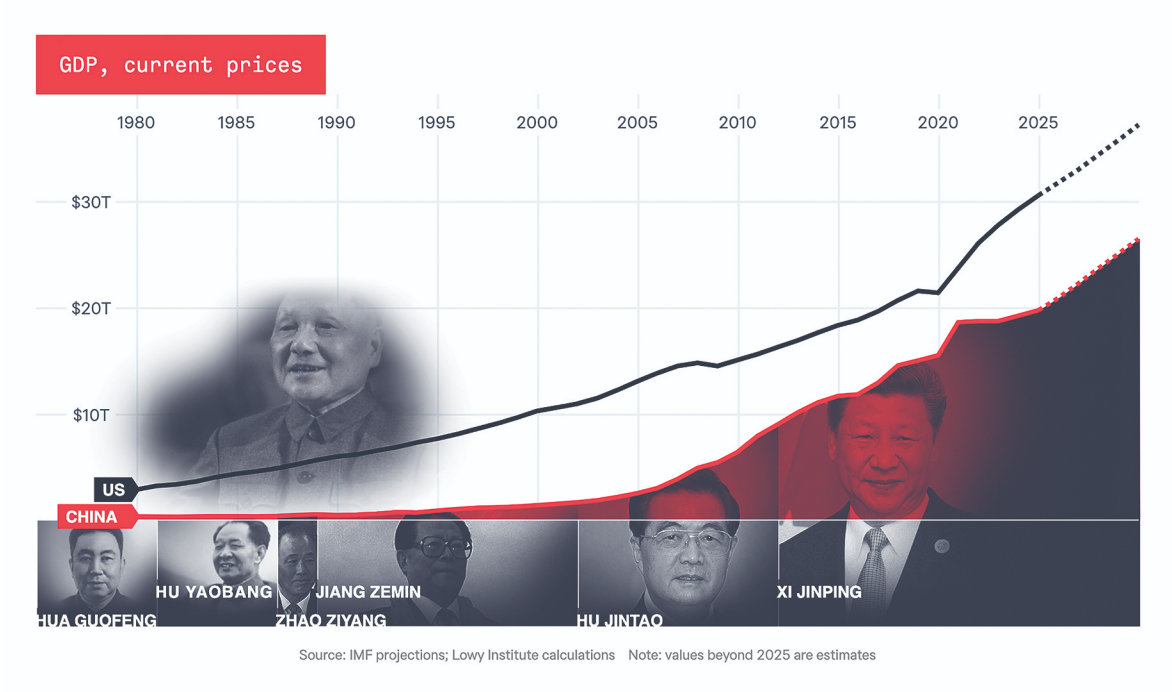
Xi Jinping's China is a different country from the nation he took leadership of in late 2012. The low-profile diplomacy that initially underpinned Chinese modernisation — the late Deng Xiaoping's so-called "hide and bide" policy — is a distant memory. Under Xi's leadership, China has become openly assertive in pressing its interests and values. The dumping of Deng's diplomatic dictum did not happen overnight. Many of the policies associated with Xi, such as embracing rivalry with the United States and developing an intimate relationship with Vladimir Putin's Russia, were seeded in the era of his predecessor, Hu Jintao. But while Xi did not originate all the policies that now typify Chinese diplomacy, he has accelerated them.

Under Xi's watch, Beijing has been willing to confront the United States on multiple levels. It has aggressively entrenched and policed its many contested sovereignty claims in the South China Sea, the East China Sea, near South Korea, and on its disputed border with India. It has taken the lead in establishing new multilateral diplomatic and financial bodies, with a particular focus on developing countries. It is pushing to redefine the core values of the United Nations away from democracy and towards development. The Belt and Road Initiative (BRI), though now heavily scaled back, expanded Chinese economic, corporate, and technology reach. In Australia's near abroad, the Pacific, China has tried to build on close economic ties by expanding security cooperation.

Much analysis of China’s expanding financial and military footprint focuses on Xi as an unusually powerful and ambitious leader and personality. Certainly, Xi has greater command over the Politburo than any leader since Mao Zedong. He has been ruthless in sidelining or removing political rivals and senior officials whom he thinks have not signed up to his vision for the country. But material factors have provided the essential foundation for Xi’s assertiveness. Without a larger economy and bigger military, Xi’s ability to impose his will would be much diminished.

Economy

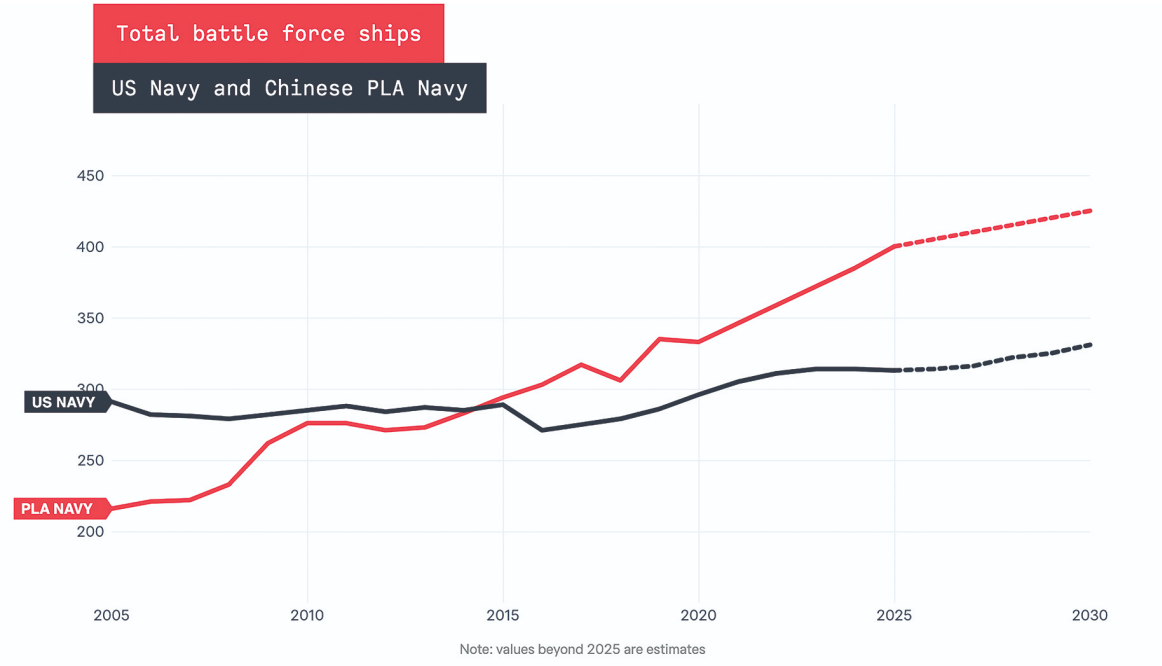
The most important driver of China's global strength and ambition is its economy. The Soviet Union was able to challenge the United States for decades in multiple theatres around the world even though its economy never rivalled that of America. Eventually, of course, the Soviet Union collapsed. China is different. Whatever its problems, China's economy is likely to continue to grow and in time surpass that of the United States as the world's largest in real dollar terms. On top of that, the ruling communist party in China has a proven ability to leverage the country's scale and size. China is challenging the United States like no other country has been able to do for the past century, and it has the means to do so.



Source: IMF projections; Lowy Institute calculations Note: values beyond 2025 are estimates

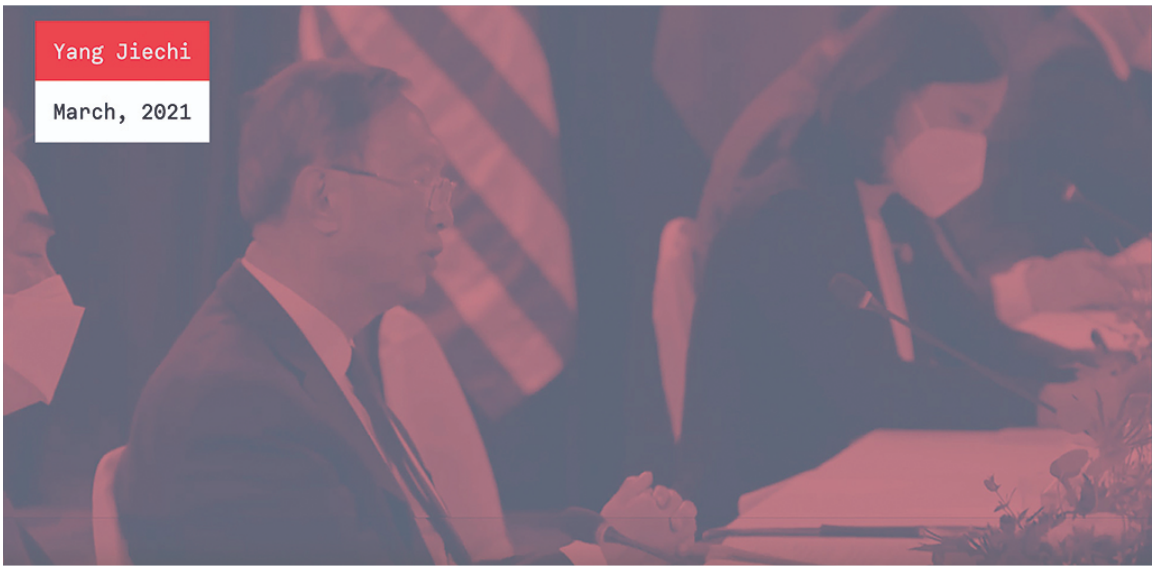
Military

Beijing's wealth laid the foundation for its transformation into a formidable military power. China already has more ships in its navy than the United States, an advantage that will grow in the near term. China is expected to add another 65 ships in the next five years, bringing its total fleet to 435, compared to about 300 for the United States.[1] China's regional advantage is even greater when its vast coast guard, which is commanded by the military, and fishing fleet militias are taken into account. In addition, China has expanded and modernised its air force, conventional missile armoury, and nuclear warhead stockpile.



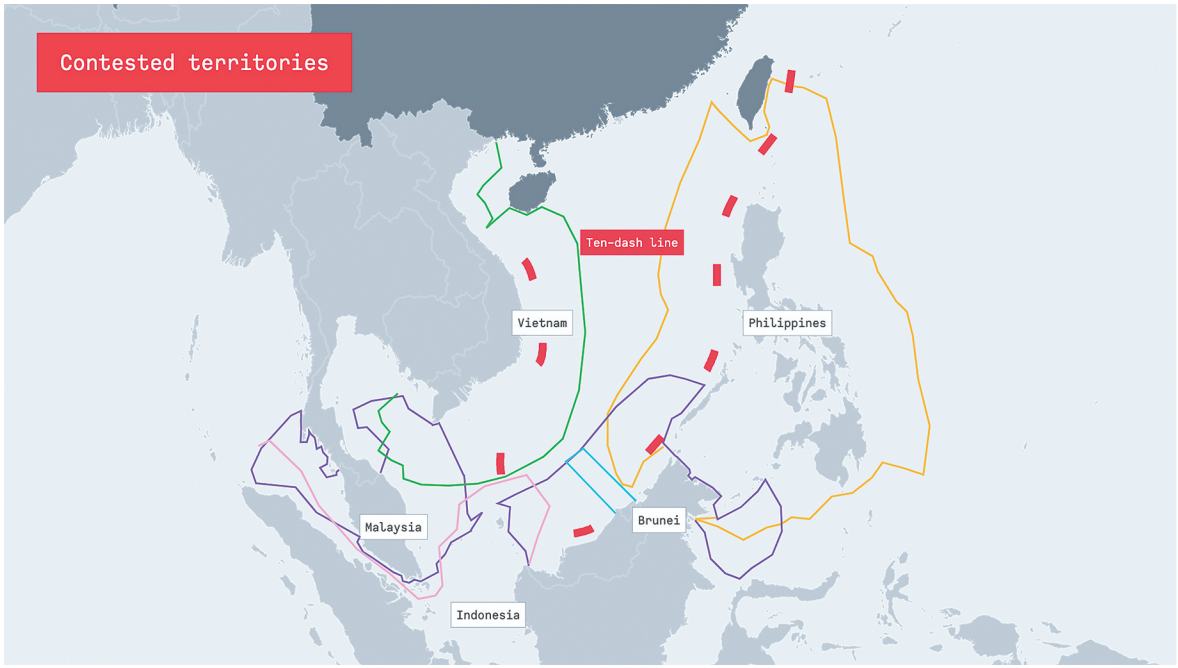
China’s worldview

China’s growing power has given it the confidence to confront the United States head-on. Beijing’s communist party rulers have never accepted the idea of a US-led order, even if China has benefited enormously from it. In a meeting with then US President Joe Biden’s national security team in Alaska in March 2021, Yang Jiechi, then China’s number one diplomat, laid out Beijing’s views with icy sharpness. Yang made it clear that in China’s opinion, the United States speaks for itself alone and that American values do not represent international views. It was a clarifying speech — a moment when China started saying aloud what had held sway largely behind closed doors for many years. Since the Alaska meeting, China has been much more willing to spell out the kinds of values it thinks should govern an emerging new world order.



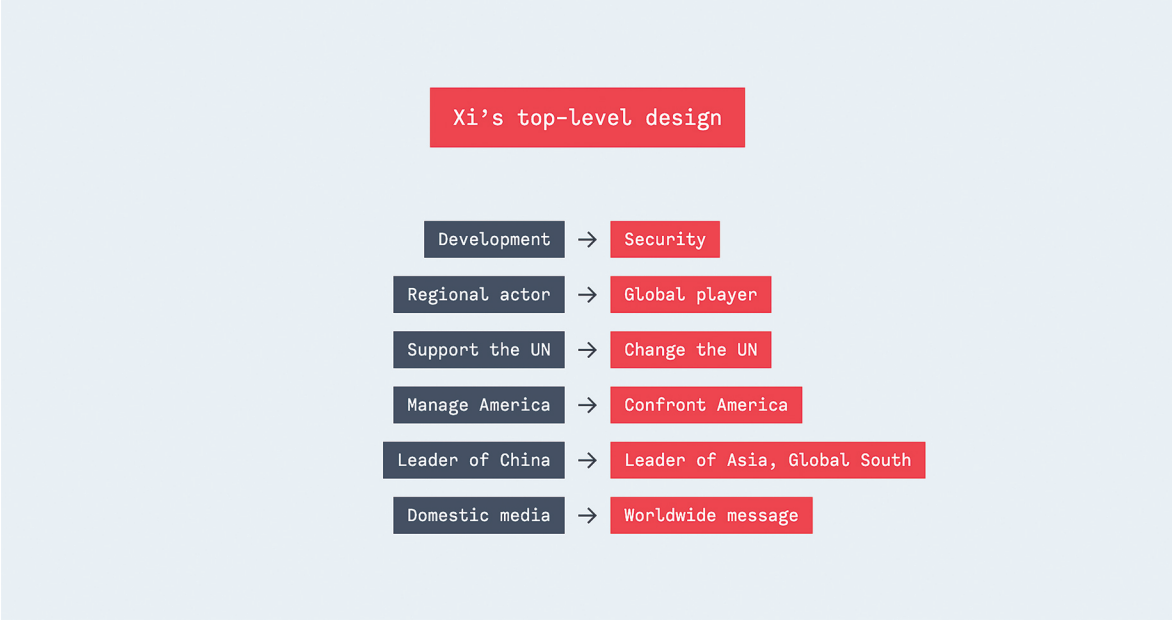
Territorial claims

For all its confidence in dealing with Washington, Beijing faces huge challenges in cementing a leadership role in its own region, with or without an enduring US presence in Asia. A look at its multiple territorial conflicts explains why. Taiwan is the most important, but Beijing also has disputes of different kinds with Japan and South Korea, and on its land border with India. And Beijing has to manage a complex set of interlocking disputes in maritime Southeast Asia, where there are overlapping claims with Vietnam, the Philippines, Malaysia, Indonesia, and Brunei. China has tried to address these on a bilateral basis, with varying success. Malaysia adopts a low-key approach to Chinese ships entering its waters, a policy of which Beijing approves. The Philippines has angered Beijing by publicising Chinese excursions into what Manila regards as its sovereign territory.



The narrative

Changing foreign policy also means changing economic policy. Once, Chinese officials were largely judged on their ability to drive economic growth in their localities. “GDPism”, as it was dubbed, or growth at all costs, is dead. Now, growth is to be balanced with, and occasionally overridden by, national security imperatives. Hence Xi’s increasing emphasis on economic self-reliance, which is designed to reduce the role of foreign technology in the economy and, at its most extreme, prepare the country for war. Xi is extending China’s reach in its neighbourhood by reviving the idea that “Asia should be run by Asians”, an often attractive notion in a region with powerful anti-colonial and anti-Western undercurrents. Similar narratives are apparent in Beijing’s increasingly sophisticated global media operations. In the United Nations, Beijing is especially active in human rights committees, shifting their priorities away from examining China. Combating the United States remains the overriding mission. Many Chinese argue that it is the United States that has confronted China. Washington, however, feels it is late to the game that China has been playing, and is now trying to catch up.

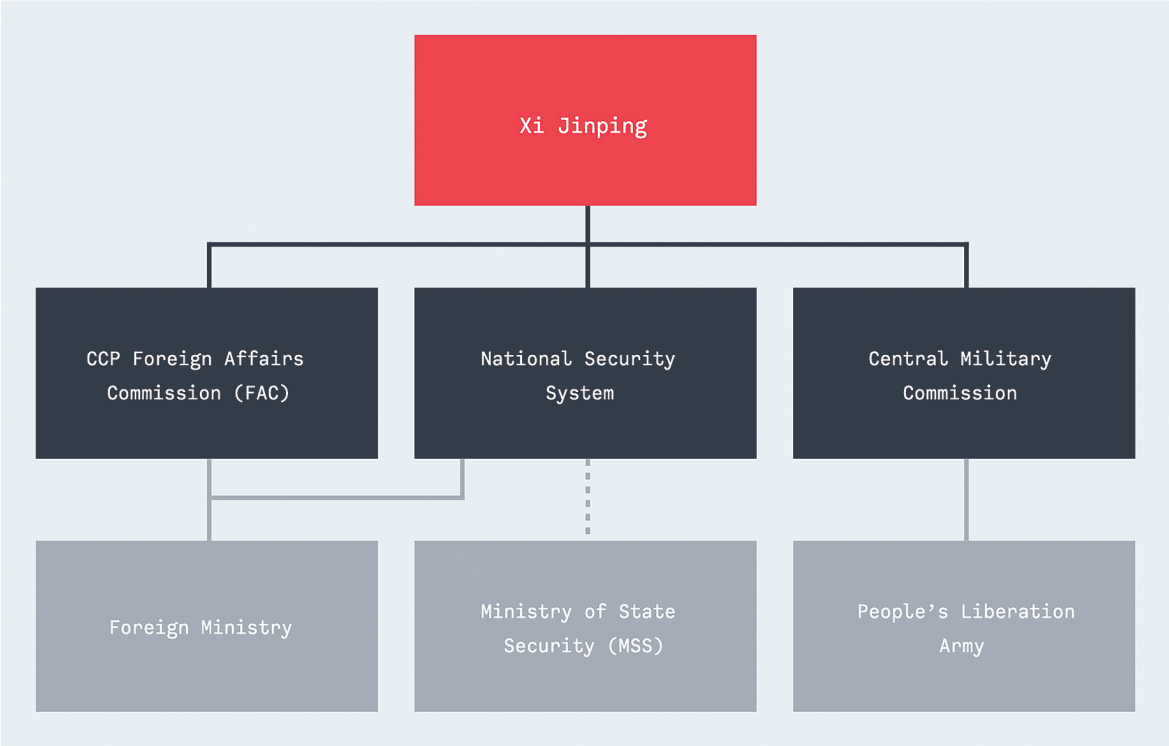


Policy priorities

The list of Xi's policy priorities, compiled by Jacob Stokes of the Center for a New American Security, is telling in one obvious respect.[2] Twenty years ago, Beijing did not roll out diplomatic initiatives with the word "global" in front of them. That alone underlines the breadth of China's ambitions. The BRI has been substantially wound back and has left China at the centre of some difficult debt workouts.[3] But the BRI was successful in its core aim of entrenching Chinese economic and technology influence, especially in its near abroad. Instead of the BRI, Chinese diplomacy now gives preference to a comprehensive, interlocking set of ideas — the Global Development Initiative (GDI), the Global Security Initiative (GSI), and the Global Civilisation Initiative (GCI). Taken together, they underpin Beijing's ambition both to lead the developing world and build an alternative order to that led by the United States.

National security

Xi has entrenched national security in the bureaucratic system, of which he sits atop. China's first National Security Commission, established in 2014, is not like the post-war American National Security Council. The Chinese body meets relatively rarely and covers both internal and external security issues. As *China Leadership Monitor* describes it, Xi is focused on the ways that internal and external security threats are interlinked.[4] Xi chairs the body, alongside his chief of staff Cai Qi, who is ranked number five on the Politburo Standing Committee but is probably the second-most powerful official in China. Xi's increasingly securitised approach to governing has elevated the Ministry of State Security (MSS), which is responsible for counter-intelligence and foreign spying. The more prominent role for the MSS has created tensions with the Ministry of Commerce, which favours a more open approach to trade and inward foreign investment.



Foreign policy players

The foreign policy players implementing Xi's vision are spread across the system, with varying levels of seniority. Wang Yi, as both Foreign Minister and a Politburo member in charge of the party's Foreign Affairs Commission, is the most visible Chinese player on the global stage. Wang Huning, who outranks him, was put in charge of Taiwan policy in early 2023. Liu Jianchao heads the party's International Liaison Department (see below for more on this institution). Chen Yixin is the Minister of State Security. Zhang Youxia, a longtime Xi loyalist, is the top-ranked military officer in the country. Li Shulei is the Politburo member in charge of Propaganda. All of them contribute to the hard and soft power of everyday Chinese diplomacy.

Embassies and consulates

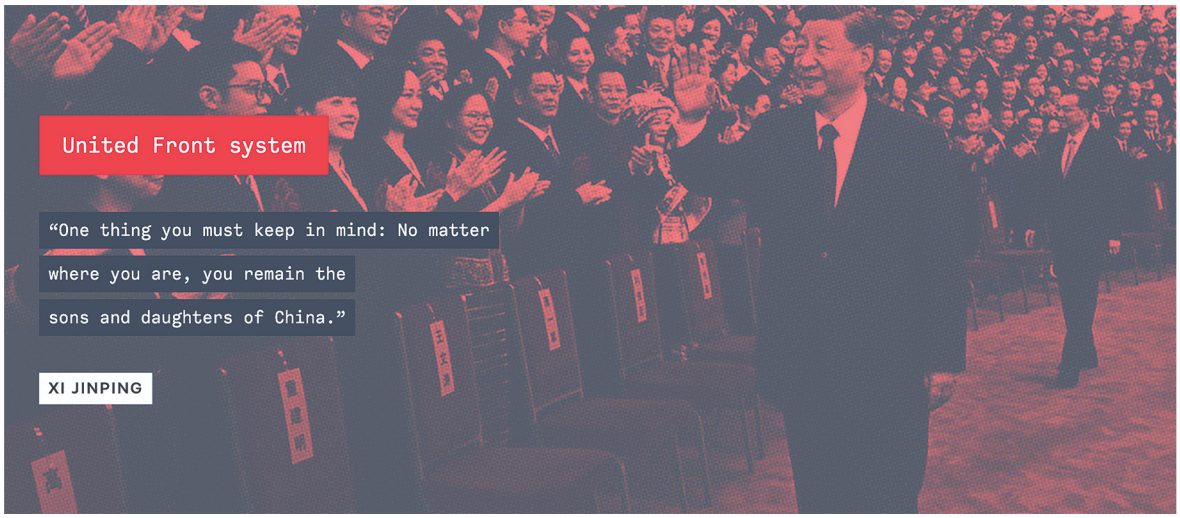
Even before Donald Trump began cutting into the US State Department's budget, Beijing had more embassies and consulates abroad than Washington. On top of a highly disciplined foreign service — Zhou Enlai, China's first post-1949 Premier and Foreign Minister once memorably described Chinese diplomatic personnel as "the People's Liberation Army in civilian clothing" — Beijing makes good use of its diplomatic clout, especially in Asia. China hosts more foreign leaders and ministers than any other country in the region. Southeast Asian foreign ministers are likely to meet their Chinese counterpart three times a year: once at home, once in China, and once at international fora. They would be lucky to meet their US counterpart once a year. The warm embrace of Chinese diplomacy can be withdrawn from countries that, like the Philippines, displease it.

Culture carriers

One key to understanding Chinese diplomacy is grasping the multitude of other bodies that make up the party-state and carry its messages to the world. The International Liaison Department (ILD) is the ruling party's diplomatic arm. The Foreign Ministry does state-to-state relations. The ILD can talk to individual political parties, an invaluable way into political systems, particularly ones with coalition governments involving multiple parties. Other countries have no way to replicate such access into one-party China. In recent years, the ILD has had a much higher profile overseas, perhaps in part because Wang Yi has too heavy a workload. Its leader, Liu Jianchao, and one of his deputies, Lu Kang, who both hail from the Foreign Ministry, are accomplished diplomats and excellent English speakers who have served in significant posts overseas. Liu and Lu can communicate far more effectively with their foreign interlocutors than many of the functionaries long employed by the department and they have lifted the body's profile in the process.

The United Front

The other significant arm of the Chinese Communist Party overseas is the United Front system. In the words of sinologist Alex Joske, the United Front "is a network of party and state agencies responsible for influencing groups outside the party, particularly those claiming to represent civil society".[5] Outside China, the system's focus is on co-opting ethnic Chinese communities to support Beijing's policy aims in their home countries. Taiwan, Hong Kong, Singapore, and Malaysia have long been key targets. But the United Front's highly contentious and often underground operations have provoked pushback from governments in the United States, Australia, the United Kingdom, Canada, and New Zealand.

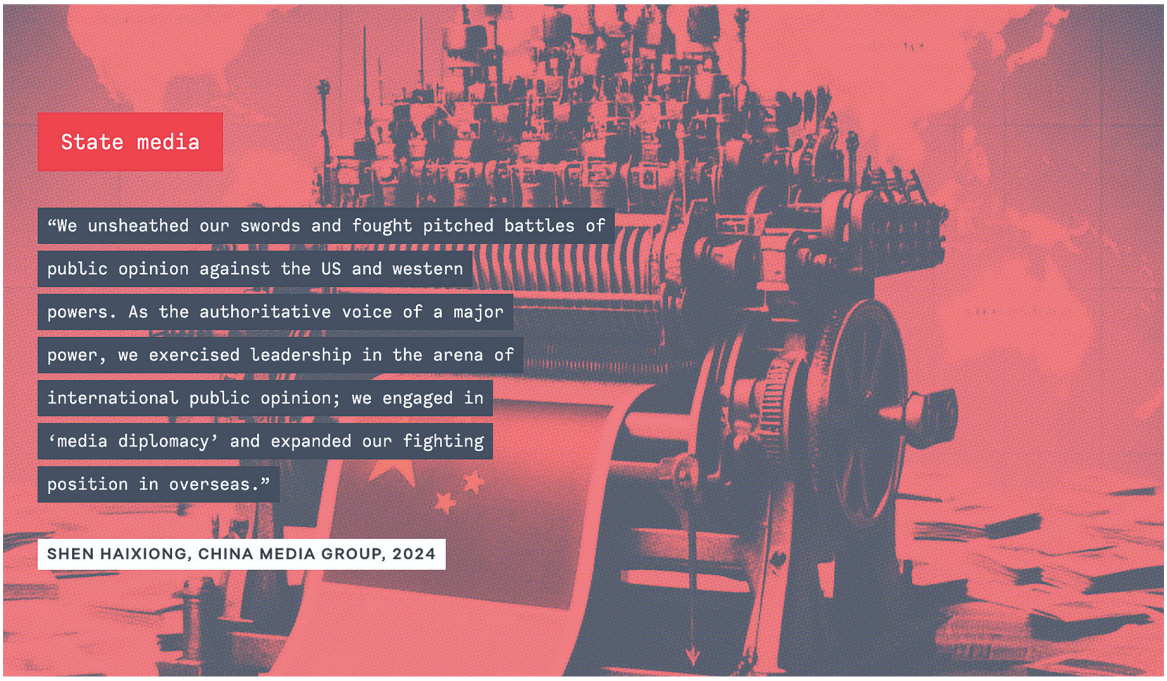


State-owned enterprises

Similarly, Chinese state-owned enterprises — be they controlled by the central, provincial, or city government — openly state that they play both a political and commercial role. While they are meant to make money, they are also expected to advance Chinese diplomatic interests. As well as being the sole or dominant shareholder of these companies, the party controls them by retaining the right to hire and fire senior executives through the CCP personnel system.

Chinese state media

Chinese state media is, in its own words, an instrument of state policy rather than an independent source of information. Chinese state media overseas has become a lot slicker in recent years and is widely available around the world, in multiple languages such as English, Arabic, French, and Spanish.[7]



Conclusion

The return of Donald Trump to the White House has not changed China's policy calculations. Rather, it has solidified them. Trump's imposition of tariffs on Chinese imports, initially as high as 145 per cent, has only hardened Xi's conviction that whoever is in the White House, the United States will try to suppress China's ambitions.

Trump's capricious unpredictability offers Beijing an opportunity to advance its longstanding ambition to crack open the West and US alliances. Xi remains wary of America's immense power but also knows Beijing has many cards to play, by imposing retaliatory tariffs on US imports and blocking exports in strategic industries China dominates, such as critical minerals.

Even before Trump, Chinese influence in Southeast Asia had already begun to eclipse that of the United States, positioning Beijing as a reliable and ever-present partner against an absent America.

Xi is likely to double down on the direction of current policy. China will keep investing heavily in technology to gain leverage over the United States and its allies, both in industry and the military. It will continue to try to marginalise Washington, particularly in Asia. Relations with Vladimir Putin's Russia will be strengthened. The focus on building alternative global power centres among emerging middle powers and developing countries will be accelerated.

The big questions cluster around two unpredictable issues. How long will China's economy generate enough wealth to maintain its military build-up and underpin confidence in Xi's policy direction? And will Xi take the risk of confronting the United States militarily, either around Taiwan or in the South China Sea, with the aim of humiliating its rival in the eyes of the world?

A confrontation with Washington could happen quickly or in slow motion. But so long as Xi remains in power and the United States maintains a significant military presence in Asia, ever intensifying competition is on the cards.

Acknowledgements

Thanks to Frank Yuan for research assistance, Leighton Hughes, Stephen Hutchings, and Ian Bruce for graphics, and Clare Caldwell, Sam Roggeveen, and Hervé Lemahieu for editing.

Note: all quotes are English translations.[6]

Notes

1 Kurt M Campbell and Rush Doshi, "Underestimating China", *Foreign Affairs*, 10 April 2025, https://www.foreignaffairs.com/china/underestimating-china.

2 Jacob Stokes, *Beyond China's Black Box*, (Center for a New American Security, April 2024), https://s3.us-east-1.amazonaws.com/files.cnas.org/documents/BeyondChinasBlackBox_2024_Final.pdf.

3 Riley Duke, "Peak Repayment: China's Global Lending", Lowy Institute, Data Snapshot, 27 May 2025, https://interactives.lowyinstitute.org/features/peak-repayment-china-global-lending.

4 Sheena Chestnut Greitens, "Counter-Espionage and State Security: The Changing Role of China's Ministry of State Security", *China Leadership Monitor*, Issue 83, March 2025, https://www.prcleader.org/post/counter-espionage-and-state-security-the-changing-role-of-china-s-ministry-of-state-security.

5 Alex Joske, *The Party Speaks for You*, (Australian Strategic Policy Institute, 9 June 2020), https://www.aspi.org.au/report/party-speaks-you/.

6 Foreign policy: the quote from Deng Xiaoping is translated from "Deng Xiaoping's Governing Philosophy and Policy", CPC News, 18 September 2013, http://theory.people.com.cn/n/2013/0918/c40537-22961471.html; the Xi Jinping quote is translated from "Accelerate the Construction of China's Narrative System for International Communication", QS Theory, 26 September 2022, http://www.qstheory.cn/dukan/hqwg/2022-09/26/c_1129032701.htm. China's worldview: the video was sourced from Lei's Real Talk, "What People Say about America? [full transcript], US–China Alaska Talks, 19 March 2021, https://www.youtube.com/watch?v=862Mi0949zc. Culture carriers: the quote from Song Tao is translated from "Song Tao, Minister of the International Department of the CPC Central Committee, Talks about China's Political Leadership for the World in 2016", People.cn, 29 December 2016, http://world.people.com.cn/n1/2016/1229/c1002-28985402.html. The United Front: the quote from Xi Jinping was translated from a 2013 speech to China's overseas students, "China's Diaspora Policy under Xi Jinping", Stiftung Wissenschaft und Politik, Research Paper 2022/RP 10, 9 November 2022, https://www.swp-berlin.org/10.18449/2022RP10/. State-owned enterprises: the quote from Zheng Xuexuan, of the China State Construction group, was translated from "China Construction Group Holds its 15th Overseas Work Conference", China State Construction media release, 27 November 2022, https://www.cscec.com/zgjz_new/xwzx_new/gsyw_new/202211/3602266.html. State media: the quote from Shen Haixiong, of the China Media Group, is clear about the role that Beijing's media outlets should play in foreign policy; see "China Media Group 2024 Work Conference Held", *South China News*, 21 February 2024, https://news.southcn.com/node_179d29f1ce/db75457f1d.shtml.

About the author

Richard McGregor is Senior Fellow for East Asia at the Lowy Institute, Australia's premier foreign policy think tank, in Sydney.

Richard is a former Beijing and Washington bureau chief for the Financial Times and the author of numerous books on East Asia.

His most recent book, Xi Jinping: The Backlash, was published by Penguin Australia as a Lowy Institute Paper in August 2019. His book on Sino-Japanese relations, Asia's Reckoning: China, Japan and the Fate of U.S. Power in the Pacific Century (Penguin Books, 2017), was called "shrewd and knowing" by the Wall Street Journal and the "best book of the year" by the Literary Review in the United Kingdom. In late 2018, it won the Prime Minister of Australia's Literary Award for Non-Fiction. His book, The Party (Penguin Books, 2010), on the inner-workings of the Chinese Communist Party, was translated into seven languages and chosen by the Asia Society and Mainichi Shimbun in Japan as their book of the year.

Richard is a Senior Associate (Non-resident) at the Center for Strategic and International Studies (CSIS) in the United States. He was also a visiting scholar at the Wilson Center and George Washington University in Washington DC from 2014-2016.

LOWY INSTITUTE