

The Doctrine of Unrestricted Warfare

Unrestricted warfare is a term coined in 1999 by two colonels of China's People's Liberation Army, Qiao Liang and Wang Xiangsui¹. Its foundation lies in the study of how wars have evolved throughout human history, as well as in identifying recurring variables over time—such as the high economic cost of maintaining large armies or conducting prolonged military campaigns. They conclude that in the contemporary era, armed conflicts are becoming less violent, while violence is increasingly exercised (or intensified) in other, non-military dimensions such as the political, economic, or technological spheres.

Under this premise, they argue that in order to defeat a militarily or technologically superior adversary, direct military confrontation should be avoided. Instead, one must compete through all kinds of non-conventional tactics that progressively weaken the enemy.

There is a clear parallel between Sun Tzu's *The Art of War* and the concept of unrestricted warfare. For Sun Tzu, war should be won before the enemy even realizes they are at war. Unrestricted warfare applies this principle in a modern and practical way, making it a central pillar of its doctrine, which Liang and Xiangsui summarize as: "The best war is the one won without firing a single shot. The battlefield of the 21st century is everywhere, and anyone can be a soldier."

Although it does not exclude the use of military force, unrestricted warfare relegates it to a secondary role, subordinated to hybrid and unconventional tactics. This doctrine transcends traditional boundaries through creativity, generating surprise and legitimizing the use of unorthodox means under the logic that the end justifies the means. In this way, any resource—military or civilian—can be turned into a weapon ("weaponization"), creating a conflict scenario without rules.

¹ LIANG, Qiao and XIANGSUI, Wang, *Unrestricted Warfare*, PLA Literature and Arts Publishing House, February 1999, Beijing. Translated from Chinese by FBIS, available at: <https://www.c4i.org/unrestricted.pdf>

Conventional	Non-conventional	
Military	Hybrid	Non-military
Conventional War	Cyber Warfare	Guerra Comercial
Atomic War	Intelligence Warfare	Financial War
Biochemical War	Drug Warfare	Cultural War
Space War	Psychological Warfare	Legal Warfare
Electronic War	Diplomatic Warfare	Information Warfare
Guerrilla Warfare	Environmental Warfare	Energy Warfare
Terrorism	Network Warfare	

Table 1. Categorization of Tactics According to Wang and Qiao (Own Elaboration)

The Economy as a Weapon within the Framework of Unrestricted Warfare

Economic warfare is understood as an umbrella concept encompassing variants such as trade war or financial war. It is a central tactic within unrestricted warfare, as it allows an adversary to be destabilized without resorting to conventional means and at a relatively low cost.

According to Liang and Xiangsui: “If wars of the past were fought between soldiers and weaponry, the wars of the future may be fought through stock market operations or financial blockades.” This statement encapsulates several key ideas:

Markets and value chains have become the new arenas of confrontation, where the purpose is not to compete but to weaken or even destroy the opponent. Likewise, seemingly neutral economic elements—such as stock exchanges, currencies, or financial institutions—can be “weaponized” to trigger systemic crises through speculative, covert, or manipulative tactics, or used directly as instruments of aggression within a framework of hybrid warfare. Ultimately, mastering the economic system allows the international order to be shaped in a more efficient, less costly, and socially acceptable way than through military conquest. In this context, the alliance between the state and private enterprise is essential: the government defines the strategy and provides support, while the private sector acts as the operational instrument in the global environment.

The Chinese Context

In the year 2000, China was an underdeveloped country, with little international or economic relevance. Twenty-five years later, China has become a leading global power. What happened? By establishing a long-term national development plan, China took advantage of the offshoring model pursued by Western companies—mainly due to its cheap labor—and capitalized on foreign investments to build national infrastructure and improve the education of its population.

Furthermore, through a joint-venture business model², Chinese companies learned from Western technology, first copying it, and later producing high value-added goods at lower costs that began to rival Western products.

China's economy follows a state-planned model, materialized through specific programs such as "Made in China 2025"³ (modernization of the manufacturing industry) or "China Standards 2035"⁴ (technological standard dominance), within a tradition of economic planning inherited from the Five-Year Plans initiated after the "Great Leap Forward" of 1958–62. However, its most ambitious plan is the "Belt and Road Initiative" (BRI), which seeks to create a network of maritime, land, air, and cyber connections for all kinds of goods and commodities around the world, with China as their point of origin or destination. Nevertheless, China's strategic plans cannot be fully understood without considering its long-term nation-building project:

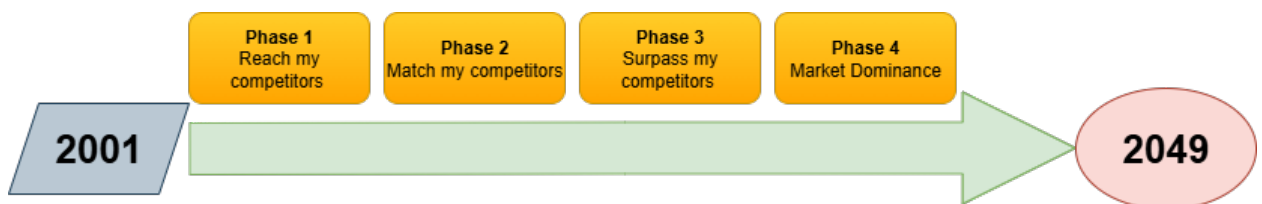


Figure 1. China's Long-Term Strategy. Own elaboration.

² This term refers to the temporary union of two or more companies with converging interests, aimed at obtaining some form of competitive advantage that would otherwise be more costly or difficult to achieve.

³ State Council of the People's Republic of China, "Made in China 2025," May 2015. Available at: https://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm. Accessed on 10.12.2025.

⁴ State Council of the People's Republic of China, "National Standardization Development Outline," October 2021. Available at: https://www.gov.cn/zhengce/2021-10/10/content_5641727.htm. Accessed on 10.12.2025.

This strategy aims to make China the world's undisputed hegemonic power by 2049, coinciding with the centennial anniversary of the founding of the People's Republic of China. It must also be noted that the Taiwan issue is included within this plan. China expects to have reunified with the island by that same date, as it is considered a matter of national geopolitical interest. At present, China is situated between phases 2 and 3, which can be described as the turning point.

To reach its current position, China has implemented (and continues to implement) a combination of economic and political tools to influence other nations and their policies. China's main targets are Western companies—especially those that are leaders in specific sectors or fields and could compete with its domestic enterprises—as well as the control of resources and technologies that allow it to dominate global supply and production chains.

China seeks to compete with the United States to position itself as the world's leading power. To achieve this, it maintains a centrally directed government strategy, using national resources to dominate global markets and strategic supply chains, restricting foreign competition, and increasing other nations' dependency on China.

In general terms, this strategy involves strengthening China's position and achieving greater global dominance over critical supply chains—both in goods it can provide at lower prices than others, and through its large-scale production capacity.

According to the U.S. Defense Intelligence Agency (DIA)⁵, “China is employing complex tactics that involve its entire government, using coercive military, economic, and influence operations that stop short of war to assert its position and strength against others, while reserving more destructive tools for a large-scale conflict. Beijing is likely to expand these tactics to advance unification with Taiwan, project power in East Asia, and reverse the perceived U.S. hegemony.”

Although China may not appear to have an overtly aggressive geopolitical stance compared to powers such as Russia or Iran, it maintains a gradual and pragmatic strategy aimed at achieving its goals through bilateral agreements and selective cooperation with the U.S. and its allies, while using economic and diplomatic mechanisms that indirectly

⁵ DIA, “2025 Annual Threat Assessment of the U.S. Intelligence Community,” March 2025. Available at: <https://www.dni.gov/files/ODNI/documents/assessments/ATA-2025-Unclassified-Report.pdf>. Accessed on 05.13.2025.

limit U.S. influence within the international system.

Despite the numerous indicators identified from a Western perspective, the Chinese government—through the MFA and Xinhua—maintains a discourse asserting that its foreign and technological policies are based on principles of peaceful cooperation and shared development. This narrative is consistently upheld by its diplomatic and commercial representatives in the international forums in which they participate.

China's great advantage lies in the fact that it cannot be proven with absolute certainty that it is applying the doctrine of unrestricted warfare against the U.S. and its allies. However, by examining the various actions carried out by China around the world, it is possible to identify methods consistent with that doctrine. Therefore, even if China is not explicitly employing it, it can be affirmed that it operates under a very similar philosophy.

China's Methods of Economic Warfare

Below are the main economic-warfare tactics employed by China against other countries. Although not an exhaustive list, it illustrates key patterns. Many of these actions are not directed at governments per se, but at their societies (citizens and businesses) with the aim of weakening them indirectly and destabilizing the state.

According to the European Centre of Excellence for Countering Hybrid Threats⁶, the Chinese threat to the West can be assessed at three levels:

(First Level). Systemic, indirect level (by introducing parallel institutions, values, and norms). Example: The Belt and Road Initiative, in addition to infrastructure, promotes alternative regulatory frameworks through Memoranda of Understanding (MoUs) and bilateral contracts with strict confidentiality requirements. The North–South road project in Kyrgyzstan illustrates this pattern: the contract included legal clauses—such as a prohibition on joining the Paris Club in the event of debt renegotiation—that allow China to isolate the country from multilateral restructuring mechanisms and strengthen its

⁶ AUKIA, J., & INGIBERGSSON, R., “*Threat Potential in the Economy: From Vulnerabilities to China's Increased Coercion*,” 2023, Helsinki, Hybrid CoE Trend. Document available at: <https://www.hybridcoe.fi/wp-content/uploads/2023/06/20230612-Hybrid-CoE-Trend-Report-10-Threat-potential-in-the-economy-WEB.pdf>. Accessed on 04.22.2024.

bilateral bargaining power⁷.

(Second Level). National, direct level (through sanctions, embargoes, boycotts, and denial of market access). Example: In 2021 China suspended trade relations with Lithuania and boycotted European companies that used Lithuanian components, in retaliation for Lithuania allowing a Taiwanese representative office in Vilnius⁸.

(Third Level). Operational level using legal and illegal means to obtain economic advantages and benefits. Example: the use of students to steal technology.

Regarding level one, we are referring to soft power⁹. Concerning level two, China must achieve a sufficient degree of geopower—in terms of resources, capabilities, and influence—to enable it to exercise coercive means against other state actors. This level has already been reached in certain sectors and markets.

Some of the tactics identified (which can be framed within the previous categories) include:

“Mosaic Espionage”

Originally conceptualized by the CIA¹⁰, the term “mosaic espionage” refers to the fragmented collection of information, combining legal and illegal sources from diverse origins, which, when cross-referenced and analyzed together, can produce valuable intelligence. This technique has been refined through the use of big data and artificial intelligence.

China’s approach to this strategy relies heavily on HUMINT (though not exclusively), through globally distributed agents known as “human waves.”

⁷ Journal of Public & International Affairs of Princeton University, “Is the Devil in the Details? A Rare Look into a BRI Contract in Kyrgyzstan,” May 2023. Available at: <https://jpiia.princeton.edu/news/devil-details-rare-look-bri-contract-kyrgyzstan>. Accessed on 11.10.2025.

⁸ Center for Strategic and International Studies (CSIS), “China’s Economic Coercion: Lessons from Lithuania,” May 6, 2022. Available at: <https://www.csis.org/analysis/chinas-economic-coercion-lessons-lithuania>. Accessed on 07.25.2025.

⁹ NYE, Joseph, “Soft Power: The Origins and Political Progress of a Concept,” February 2017. Available at: <https://www.nature.com/articles/palcomms20178#>. Accessed on 14.03.2024.

¹⁰ Lawfare Media, “The ‘Mosaic’ Method and the Value of CIA Names to U.S. Adversaries,” February 2025. Available at: <https://www.lawfaremedia.org/article/the--mosaic--method-and-the-value-of-cia-names-to-u.s.-adversaries>. Accessed on 15.10.2025.

Alberto Pérez Rodríguez

The main targets are Western companies and academics¹¹, especially in strategic technological sectors. Stealing industrial secrets allows China to bypass costly R&D phases, thereby gaining a competitive advantage.

The MSS (Ministry of State Security)¹², also known as “Guoanbu”, leads these operations. It is estimated to have around 100,000 agents, both civilian and military. Its tactics include:

The tactics employed by Chinese intelligence are diverse, combining human, technological, and economic resources. One of the most widespread involves using the diaspora, travelers, students¹³, and trade delegations as cover for espionage activities, sometimes in collaboration with criminal organizations. Within this framework, the acquisition of “golden visas”¹⁴ in Europe stands out, used to infiltrate agents into strategic regions with sensitive technological assets.

Another key pillar is academic espionage, carried out through students focused on STEM fields or through invitations to foreign scientists aimed at obtaining strategically valuable knowledge. In parallel, recruitment techniques targeting foreign experts¹⁵ are employed through bribes or covert collaboration offers, along with the systematic exploitation of open sources—such as unclassified academic databases—to gather useful information.

Finally, cyber espionage¹⁶ constitutes a core component of the apparatus, supported by the People’s Liberation Army and the production of physical manuals¹⁷ designed to train

¹¹ BBC News, “How China Manages to Steal America’s Technological Secrets,” January 26, 2023. Available at: <https://www.bbc.com/mundo/noticias-internacional-64355527>.

¹² SAENZ, Alvaro, “Strategic Intelligence: China. The Chinese Communist Party and the Ministry of State Security, Current Landscape and Future Outlook,” October 2017. Available at: <https://www.seguridadinternacional.es/?q=es/content/inteligencia-estrategica-china-partido-comunista-chino-y-ministry-state-security-panorama-1>. Accessed on 04.23.2024.

¹³ Infobae, “Germany Warned About the Espionage Risks Posed by Chinese Students,” July 2023. Available at: <https://www.infobae.com/america/mundo/2023/07/30/alemania-alerto-sobre-los-riesgos-de-espionaje-de-los-estudiantes-chinos/>. Accessed on 07.05.2024; and La Razón, “Chinese Students in the U.S., Xi’s Trojan Horse.” March 2021. Available at: <https://www.larazon.es/opinion/20210326/ossqz4p4rfdjhp1x53tti2gwre.html>. Accessed on 05.07.2024.

¹⁴ The Times, “Ninety per cent of ‘golden visa’ applicants from China via agents,” March 2024. Available at: <https://www.thetimes.com/world/ireland-world/article/ninety-per-cent-of-golden-visa-applicants-from-china-via-agents-nw8brtqnv?region=global>. Accessed on 05.07.2024.

¹⁵ La Razón, “China Recruits Former British Pilots with Big Paychecks to Train Chinese Military,” October 2022. Available at: <https://www.larazon.es/internacional/20221018/do345wgj2nef7azo46kmpiajte.html>. Accessed on 05.07.2024.

¹⁶ Lisa Institute, “Cyber Espionage from China,” December 2022. Available at: <https://www.lisanews.org/ciberseguridad/ciberespionaje-desde-china/>. Accessed on 05.08.2024.

¹⁷ Valencia Plaza, “The Chinese Manual That Teaches How to Hack Spanish Companies — or Why Some Still Use Fax Machines,” October 2023. Available at: <https://valenciaplaza.com/valenciaplaza/elmanualchinoqueenseahackearempresasespaolasoporquesequirusandoelfax>. Accessed on 05.08.2024.

citizens in cyberattack techniques tailored to the target country.

Additionally, China has innovated in maritime espionage, using fishing fleets¹⁸ to collect signals (ELINT/SIGINT) and to manipulate infrastructures such as port cranes¹⁹. It has also integrated surveillance capabilities into mobile applications such as TikTok²⁰ and into strategic undersea cables²¹, aligned with the Belt and Road Initiative.

Acquisition of Competitors

China uses the acquisition of foreign companies—whether competitors or not—to gain access to strategic technologies²², processes, and know-how. These acquisitions, along with participation in boards of directors, enable the acquisition of trade secrets, an increase in market share, and the weakening of competitors.

At the same time, China invests in key sectors such as infrastructure and technology to create economic dependence and political influence. It takes advantage of free trade and globalization, operating within the international regulatory framework without arousing suspicion.

Another tactic is the cultivation and co-optation of decision-makers (business leaders, politicians, or senior officials)²³ through bribery or coercion, with the aim of promoting policies favorable to Beijing from positions of power. This practice has been detected in several European countries²⁴.

¹⁸ Le Monde, “Mysteries and Power of the Chinese Fishing Fleet,” November 2020. Available at: <https://mondiplo.com/misterios-y-potencia-de-la-flota-pesquera-china>. Accessed on 05.08.2024.

¹⁹ Infobae, “Alert in U.S. Ports: Remote Access Modems Found in Cranes Manufactured in China,” March 2024. Available at: <https://www.infobae.com/america/mundo/2024/03/07/alerta-en-los-puertos-de-estados-unidos-hallaron-modems-de-acceso-remoto-en-gruas-fabricadas-en-china/>. Accessed on 05.07.2024.

²⁰ BBC, Interview with Bruce Schneier, Harvard Cybersecurity Expert, April 2023. Available at: <https://www.bbc.com/mundo/noticias-65251036>. Accessed on 05.08.2024.

²¹ *Financial Times*, “How the US Is Pushing China Out of the Internet’s Plumbing,” June 2023. Available at: <https://ig.ft.com/subsea-cables/>. Accessed on 05.08.2024.

²² El Confidencial, “China Continues Buying Companies in Europe Despite the Widespread Slowdown,” April 2021. Available at: https://blogs.elconfidencial.com/juridico/tribuna/2021-04-21/china-sigue-comprando-empresas-en-europa-a-pesar-del-paron-generalizado_3042732/; and Bloomberg, “The Mysterious Chinese Company Worrying the World,” December 2017. Available at: <https://www.bloomberg.com/news/articles/2017-12-17/the-mysterious-chinese-company-worrying-the-world-quicktake-q-a>. Accessed on 05.14.2024.

²³ EFE, “Huawei Under Investigation by Belgian Police for Possible Corruption in the European Parliament,” March 2025. Available at: <https://efe.com/economia/2025-03-13/policia-belga-registra-sede-huawei-domicilios-posible-corrupcion-pe/>. Accessed on 06.05.2025.

²⁴ Welt, “China’s Secret Propagandists,” June 2021. Available at: <https://www.welt.de/politik/plus231814509/Politiker-Lobbyisten-Influencer-Chinas-heimliche-Propagandisten.html>. Accessed on 05.14.2024.

In contrast, China blocks Western investments that it considers a threat to the sovereignty of the Communist Party. Xi Jinping's strategy prioritizes internal loyalty, which limits the country's openness and transparency and complicates its global projection.

The Chinese Competitive Business Model

The planned economy model has a series of particularities that deserve to be described. First, potential Chinese entrepreneurs and investors must choose from a set of strategic sectors of interest to the government as potential areas in which new companies can be established.

The companies that emerge after receiving government approval must then compete in the domestic Chinese market under conditions of a fierce free market. As a result, those that manage to thrive are highly competitive firms capable of producing superior-quality products.

After this stage, the company that proves to be the strongest within its sector domestically is selected and fully supported by the government. This means that the company will either be directly subsidized by the State or granted a series of privileges or benefits unavailable to others, allowing it to enter international markets and compete strongly and aggressively. This process has produced companies with exceptionally high financial capacity and resources, enabling them to enter global markets with force and compete on seemingly equal terms with firms that have historically held dominant positions in their respective industries.

In certain strategic sectors, Chinese industrial policy has created a dynamic of artificially subsidized pricing, allowing its companies to maintain a competitive position even against high tariffs or trade barriers. In practice, state subsidies act as a financial cushion that enables firms to lower prices enough to offset tariff impacts while preserving foreign market share.

This strategy, consistent with China's long-term industrial plans, seeks to maintain market presence long enough to erode the profitability of foreign competitors who lack equivalent state backing. Once a dominant position is consolidated, the price structure can be adjusted according to national strategic objectives—creating an asymmetric competition

model that is difficult for traditional market economies to counter²⁵.

In the case of foreign companies wishing to establish operations in China to manufacture goods, the Chinese government requires them to share technology, capital, and manufacturing expertise. This is reflected in China's security laws, which oblige foreign firms to submit their technology to government authorities for national security review.

The list of business examples is extensive; a few are described below:

BYD was originally a battery manufacturer until it received government support to become an automotive giant, surpassing Tesla in sales during several quarters of 2024 and 2025²⁶.

Huawei began in the 1980s as a small distributor of telephone switchboards. It received state financial backing through banks such as the China Development Bank, with credit lines estimated at over \$30 billion²⁷. This support enabled the company to develop its R&D capabilities and expand aggressively into the global telecommunications market, offering prices substantially lower than its competitors (at the cost of very thin profit margins) thanks to state financing and soft loans²⁸.

Xiaomi was founded in 2010 as a smartphone startup and benefited from tax incentives, privileged access to financing, and other forms of government support. Within just a few years, it became one of the world's leading smartphone brands, thanks to a highly competitive pricing strategy sustained by China's logistics and supply chain infrastructure.

Shein has expanded globally by applying an "ultrafast fashion²⁹" model based on intensive outsourcing and highly competitive pricing, supported by a highly integrated domestic production structure characterized by extreme internal competition. This industrial ecosystem benefits from direct and indirect incentives and subsidies that artificially lower production costs while operating under less stringent environmental and

²⁵ U.S.-China Economic and Security Review Commission, "Risks, Rewards, and Results: U.S. Companies in China and Chinese Companies in the United States," February 2019. Available at: <https://www.uscc.gov/hearings/risks-rewards-and-results-us-companies-china-and-chinese-companies-united-states>. Accessed on 10.04.2025.

²⁶ Europa Press, "BYD Surpasses Tesla in Global Electric Vehicle Sales Through September by Nearly 390,000 Units," October 2025. Available at: <https://www.europapress.es/motor/sector-00644/noticia-byd-supera-tesla-ventas-mundiales-electricos-septiembre-casi-390000-unidades-20251003170620.html>. Accessed on 10.15.2025.

²⁷ DOU, Eva, "House of Huawei: Inside the Secret World of China's Most Powerful Company," Abacus, 2025.

²⁸ U.S. Congress, "U.S. Restrictions on Huawei Technologies: National Security, Foreign Policy, and Economic Interests," May 2022. Available at: <https://www.congress.gov/crs-product/R47012>. Accessed on 10.04.2025.

²⁹ Business model based on launching large volumes of garments of different types at very low prices, accelerating trend and consumption cycles.

labor standards than those in Western economies³⁰. As a result, this model achieves a cost advantage that distorts fair competition conditions in the global textile market³¹.

Lenovo was initially a state-owned company founded by the Chinese Academy of Sciences. After partial privatization, it continued to receive government support through public contracts, procurement programs, and incentives for foreign acquisitions—such as its purchase of IBM’s PC division in 2005. Today, it is a dominant player in the global computer market.

Over the past three decades, China has accounted for by far the largest number of anti-dumping investigations worldwide, far exceeding any other economy. According to consolidated data from the World Trade Organization (WTO) between 1995 and 2024, China has accumulated over 1,700 cases, in which it has been accused of unfair competition practices and state intervention in price formation.

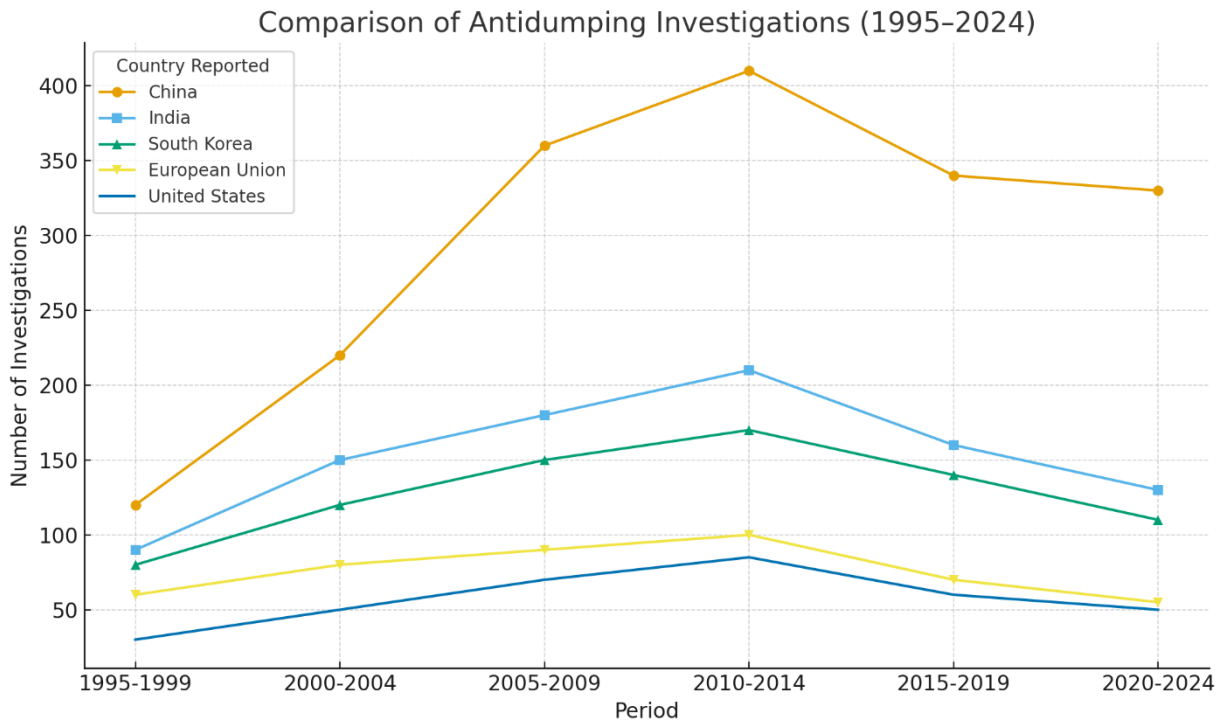


Figure 2. Comparison and Evolution of Antidumping Investigations (1995–2024). Own elaboration based on data from the World Trade Organization (WTO).

³⁰ U.S.-China Economic and Security Review Commission, “Shein, Temu, and Chinese e-Commerce: Data Risks, Sourcing Violations, and Trade Loopholes,” March 2023. Available at: <https://www.uscc.gov/research/shein-temu-and-chinese-e-commerce-data-risks-sourcing-violations-and-trade-loopholes>. Accessed on 10.04.2025.

³¹ El Economista, “Brussels Aims to End Customs Duty Exemptions for Temu and Shein,” February 2025. Available at: <https://www.eleconomista.es/retail-consumo/noticias/13206184/02/25/bruselas-se-propone-terminar-con-la-exencion-de-tasas-aduaneras-a-las-compras-online-de-menos-de-150-euros.html>. Accessed on 07.29.2025.

Dominance of Supply Chains

China's dominance over critical supply chains allows it to exert economic coercion against countries that adopt policies contrary to Beijing's interests. China is developing an institutionalized framework to enable the use of trade retaliation, through which the Chinese Communist Party (CCP) selectively employs trade and investment barriers, administrative regulations, logistical restrictions, symbolic (unofficial) or technical sanctions—targeted at individuals, companies, and sectors—alongside warning and deterrence messages³².

In particular, China's dominance in the mining and processing of critical materials poses a significant threat, as the country already has the capability to restrict supply and influence global prices. China controls between 50% and 60% of global mining market share, and around 90% of the intermediate processing stage³³.

According to the International Energy Agency (IEA)³⁴, China dominates processing in 19 of the 20 strategic minerals, with an average market share close to 70%. For example, in the case of lithium, its refining capacity ranges between 50% and 70%.

³² Australian Strategic Policy Institute (ASPI), "China Is Still Coercing Australia—with Implicit Threats," July 2025. Available at: <https://www.aspi.org.au/strategist-posts/china-is-still-coercing-australia-with-implicit-threats/>. Accessed on 07.29.2025.

³³ Política Exterior, "The Consolidation of Rare Earths in China Is a Cause for Concern," June 2022. Available at: <https://www.politicaexterior.com/la-consolidacion-de-las-tierras-raras-en-china-es-motivo-de-preocupacion/>. Accessed on 06.05.2025.

³⁴ International Energy Agency (IEA), "Global Critical Minerals Outlook 2025," May 2025. Available at: <https://www.iea.org/reports/global-critical-minerals-outlook-2025>. Accessed on 10.12.2025.

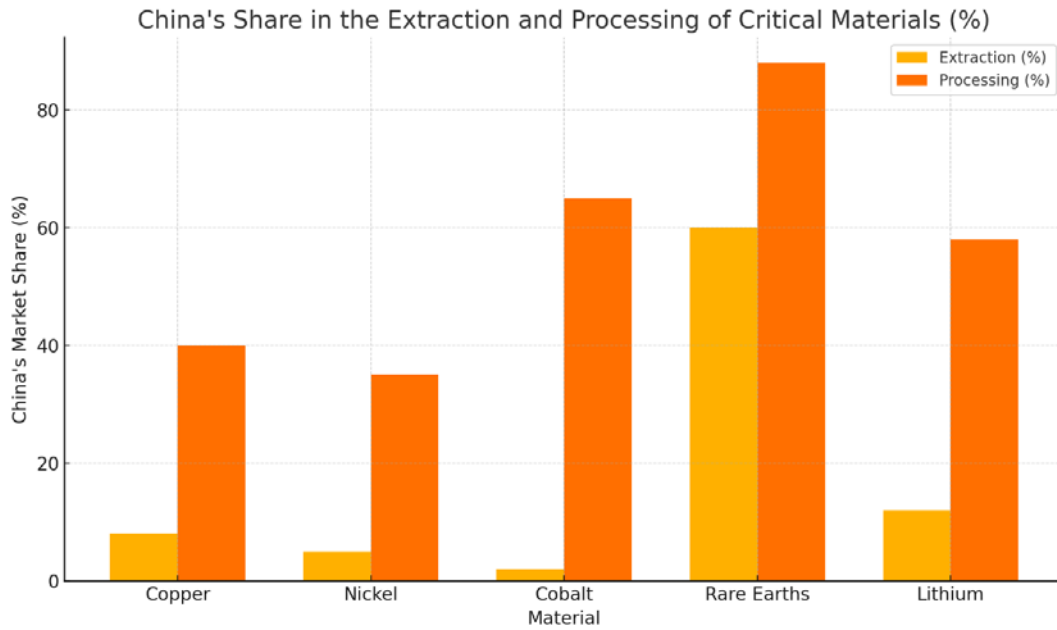


Figure 3. China's Participation in the Extraction and Processing of Critical Minerals. Own elaboration based on data from the World Economic Forum.

In this context, China's monopoly over rare earth elements represents one of the most critical geoeconomic instruments of the 21st century. China accounts for approximately 60% of global production and over 85% of global refining capacity³⁵, granting it an almost hegemonic position in the supply chain of essential materials. These elements are indispensable for the manufacturing of microchips, batteries, electric motors, solar panels, wind turbines, satellites, missiles, and consumer electronics.

A decision by China to ban or restrict rare earth exports would have an immediate and disruptive impact on the global technology and energy industries, paralyzing the production of strategic components (both civilian and military) and jeopardizing the global energy transition. This control over key materials therefore functions as a tool of structural coercion, enabling Beijing to influence the pace and security of global critical value chains.

China has previously demonstrated its willingness to restrict global access to its mineral resources in response to geopolitical disputes—such as the 2010 maritime dispute with

³⁵ Bloomberg, "Why Rare Earths Are China's Trump Card in the Trade War with the U.S.," October 2025. Available at: <https://www.bloomberg.com/news/articles/2025-10-09/how-china-s-rare-earths-dominance-is-leverage-in-trump-s-trade-war>. Accessed on 10.13.2025.

Japan³⁶, or the December 2024 export ban on semiconductor minerals imposed in retaliation for U.S. restrictions on advanced chipmaking machinery and semiconductor technology³⁷.

China is pursuing an aggressive strategy, combining state-directed private sector activity with the external projection of government plans, in order to become a global superpower in science and technology, surpass the United States, achieve self-sufficiency, and secure greater economic, political, and military advances. The government has prioritized³⁸ technological sectors such as energy, artificial intelligence, biotechnology, quantum computing, and semiconductors, which suggests that the country aims to secure a monopolistic position in the high-value technologies and industries of the future.

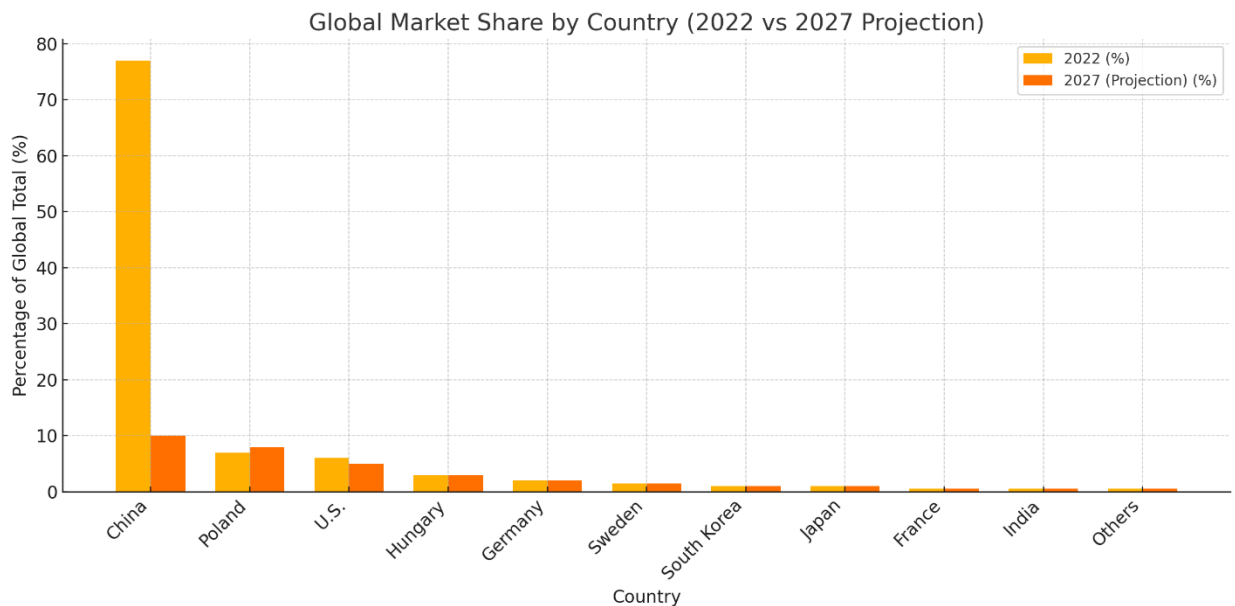


Figure 4. Battery Cell Manufacturing Capacity by Country Between 2022 and the 2027 Projection. Own elaboration based on data from VisualCapitalist.

Reaching this position means that China will hold technological, energy, logistical, and financial advantages that will allow it to compete internationally with an unprecedented

³⁶ Europa Press, “China Bans Rare Earth Exports to Japan Following Dispute Over Chinese Fishing Boat,” September 2010. Available at: <https://www.europapress.es/internacional/noticia-china-japon-china-prohibe-exportaciones-tierras-raras-japon-disputa-pesquero-chino-20100923074651.html>. Accessed on 06.05.2025.

³⁷ The New York Times, “Why Is China Imposing an Embargo on Critical Minerals to the U.S.?,” December 2024. Available at: <https://www.nytimes.com/es/2024/12/10/espanol/china-embargo-minerales-criticos.html>. Accessed on 06.05.2024.

³⁸ Bloomberg, “Xi Mulls New Made-in-China Plan Despite U.S. Call to Rebalance,” May 2025. Available at: <https://www.bloomberg.com/news/articles/2025-05-26/xi-plans-new-made-in-china-effort-even-as-trump-aims-to-boost-us-manufacturing?srnd=homepage-europe>. Accessed on 06.05.2025.

level of competitiveness—enabling it, once it eliminates its competition, to easily secure captive markets³⁹.

In fact, the European Union’s dependence on China is already extremely high in the case of certain products. For example, approximately 70% of mobile devices and 92% of laptops are imported from China. Moreover, the EU is highly dependent on Chinese imports of small household appliances (96%), reciprocating piston engines (97%), escalators and moving walkways (96%), and radios (95%).

Furthermore, these imports are very difficult to replace with supplies from other regions, as Europe no longer possesses the domestic industries that once produced these goods.

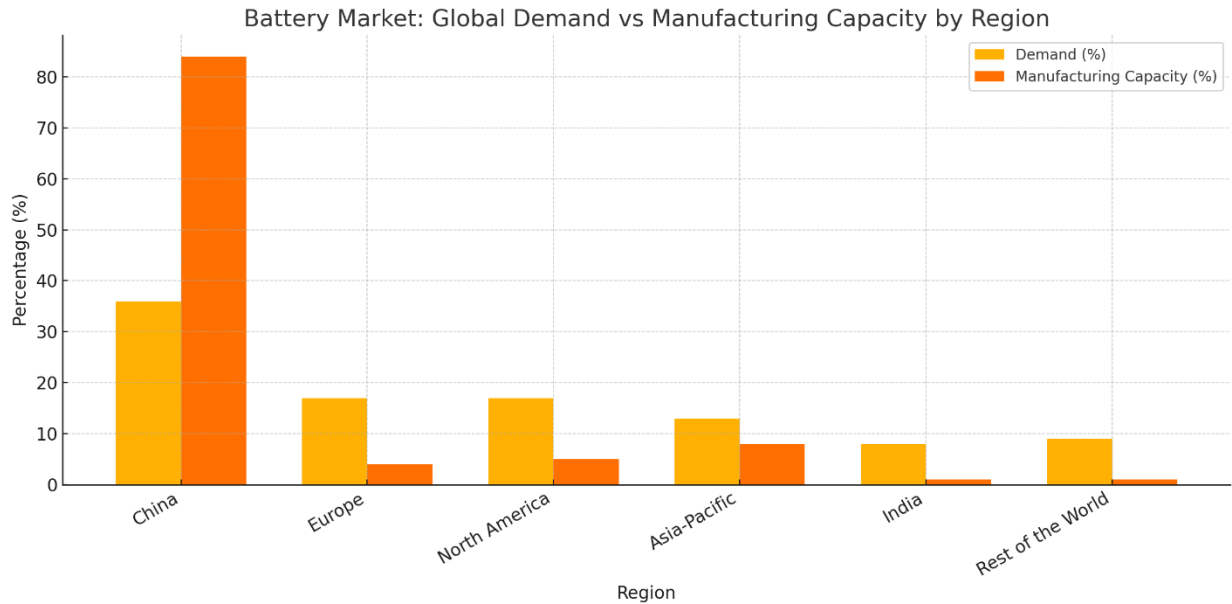


Figure 5. Comparison Between Demand and Manufacturing Capacity of Solar Panels in 2022 by Region. Own elaboration based on data from the International Energy Agency (IEA).

The European Commission warns that China’s state mechanisms of industrial support distort competition conditions and have a transversal impact on European industry—particularly affecting strategic sectors such as steel and metallurgy, automotive, chemicals, construction, ceramics, and ICT. The Commission emphasizes⁴⁰ that Chinese

³⁹ Intereconomics, “EU Concerns About Chinese Subsidies: What the Evidence Suggests,” 2024. Available at: <https://www.intereconomics.eu/contents/year/2024/number/4/article/eu-concerns-about-chinese-subsidies-what-the-evidence-suggests.html>. Accessed on 07.28.2025.

⁴⁰ European Commission, “Commission Staff Working Document on Significant Distortions in the Economy of the People’s Republic of China for the Purposes of Trade Defence Investigations,” April 2024. Available at:

industry competes more aggressively in international markets thanks to state financing, subsidized energy, non-market-aligned pricing, and unfair trade practices. These effects are consistent with the industrial and economic planning strategies previously discussed in this article. However, the Commission also notes that this policy generates internal imbalances, such as overcapacity and difficulties in placing manufactured surpluses on the global market.

China uses its price leadership not only to export its manufactured products but also to promote the adoption of its technology abroad. The installation and use of Chinese technologies and infrastructure entail:

a) capturing a larger share of the global market at the expense of Western competitors, and b) the risk of introducing other systems with potentially malicious implications for Western security⁴¹.

Moreover, China is fully aware of its decisive role in global value chains, and it exploits this strength by imposing conditions or modifying regulations. This means that by dominating the production of essential equipment and components, China gains the ability to set regulatory and technical standards for other countries, creating yet another competitive advantage⁴². Consequently, Western markets become less competitive due to the lack of free-market dynamics, as they are forced to implement interventionist measures to counterbalance Chinese production. Beijing has also understood that the more regulated and interventionist a country or economic region is, the greater the competitive advantage its own industrial sector gains by operating under fewer constraints.

As with raw materials, China pursues similar objectives in global maritime transport. To this end, it has steadily expanded its engagement with other nations—primarily through mining projects (or related activities), infrastructure development, and scientific research initiatives. China's long-term goal is to expand access to natural resources and control

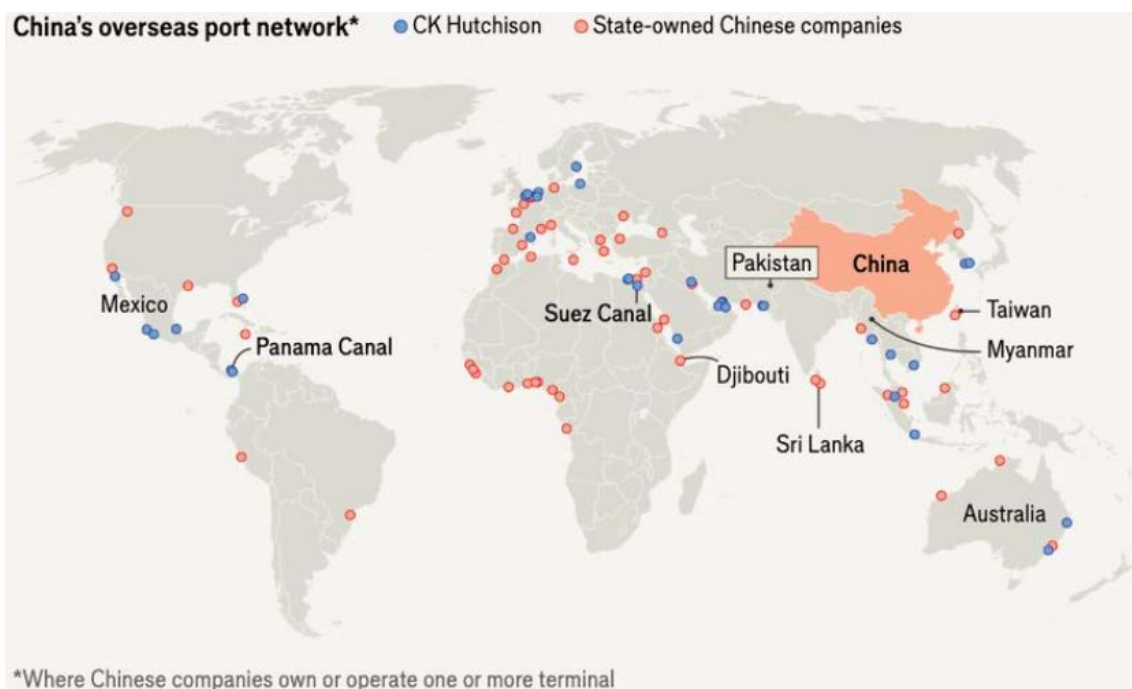
[https://ec.europa.eu/transparency/documents-register/detail?ref=SWD\(2024\)91&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2024)91&lang=en). Accessed on 10.01.2025.

⁴¹ U.S.-China Economic and Security Review Commission, "China's Cyber Capabilities: Warfare, Espionage, and Implications for the United States," U.S. Congress, December 2022. Available (relevant chapter) at: https://www.uscc.gov/sites/default/files/2022-11/Chapter_3_Section_2--Chinas_Cyber_Capabilities.pdf.

⁴² Diálogo Político, "China's Technological Power – Implications and Risks," February 2024. Available at: <https://dialogopolitico.org/special-edition-2024-keys-to-understanding-china/chinas-technological-power-implications-and-risks>. Accessed on 10.13.2025.

trade routes.

Through the Belt and Road Initiative (BRI)⁴³, China has established an extensive program for financing and constructing physical and digital infrastructure, covering sectors such as rail and road transport, ports, and telecommunications⁴⁴. These projects, managed through bilateral agreements, have granted China a significant presence in strategic infrastructure across multiple countries. However, the lack of standardization and transparency in their management and financing processes has raised concerns⁴⁵ about the true intentions behind the BRI.



Map 1. Maritime Control of Port Infrastructures by China. Source: CK Hutchison & Mercator Institute for China Studies (MERICS).

⁴³ PARRA, Águeda, "China: The Routes of Power," Brétigny-sur-Orge (via Amazon), 2019.

⁴⁴ OMORUYI, Michael Mitchell, "China's Infrastructure Financing and the Role of Infrastructure in Awakening African Economies," *Journal of Comparative Asian Development*, Vol. 18, No. 2, January 2021.

⁴⁵ HILLMAN, Jonathan E. & SACKS, David, "China's Belt and Road: Implications for the United States," Council on Foreign Relations, Independent Task Force Report No. 79, 2021.

Use of Financial Instruments

China has taken a strategic turn in its international projection, shifting from being merely a provider of financing to aspiring to become a power that sets its own international norms. To this end, it has begun constructing its own statistical and evaluation system for foreign aid⁴⁶, circumventing the metrics recognized by the OECD. This decision seeks not only to avoid external oversight but also to create a parallel normative infrastructure that consolidates its independence from established Western standards.

In parallel, China has promoted Memoranda of Understanding (MOUs) with UN agencies which, although presented as multilateral initiatives, in reality aim to create ambiguous bilateral relationships that blur the collective nature of international cooperation⁴⁷. This allows China to establish alternative mechanisms to evade sanctions—both its own and those affecting its allies.

Additionally, China has altered the use of its foreign exchange reserves, moving away from investing in U.S. Treasury bonds and redirecting those resources toward bilateral loans to developing countries. This transformation has made China the world's largest bilateral creditor, surpassing both the Paris Club and the World Bank. Through the Belt and Road Initiative (BRI), it has extended more than \$330 billion in loans since 2013, consolidating its position as a key financial actor across the Global South⁴⁸.

Chinese financing has been heavily concentrated in strategic sectors such as infrastructure, energy, and mining—and often involves the purchase of land and subsoil rights. This pattern favors Chinese state-owned enterprises over recipient governments and has contributed to concealing the true level of public debt in many borrowing countries. Moreover, China's lending model is typically more commercial than concessional, with terms that include high interest rates, collateral requirements (often in the form of natural resource exports), and a lack of political conditions⁴⁹.

⁴⁶ China's Foreign Aid Project Evaluation (FAPE) System, available at: <http://en.cidca.gov.cn/pdf/InternationalDevelopmentCooperationChina'sPracticeChina'sFAPESystem1101.pdf>.

⁴⁷ Carnegie Endowment for International Peace, "Chinese Development Assistance: A New Approach or More of the Same?" March 2021. Available at: <https://carnegieendowment.org/research/2021/03/chinese-development-assistance-a-new-approach-or-more-of-the-same?lang=en>. Accessed on 06.09.2025.

⁴⁸ Bank of Spain, "China's Role as an International Financial Creditor," November 2024. Available at: <https://www.bde.es/wbe/es/publicaciones/analisis-economico-investigacion/documentos-ocasionales/el-papel-de-china-como-acreedor-financiero-internacional.html>. Accessed on 06.09.2025.

⁴⁹ Institut Français des Relations Internationales (IFRI), "Getting China Onboard a Global Debt Governance System," September 2024. Available at: <https://www.ifri.org/en/external-articles/external-publications/getting-china-onboard>.

While these features make the loans appear flexible and attractive, they also function as a predatory instrument, as the feasibility of many financing operations is questionable and often serves as a strategy to indebt developing countries (the so-called debt trap) or to gain control over strategic infrastructure abroad—as in the case of Sri Lanka’s Magampura Mahinda Rajapaksa Port⁵⁰.

Nevertheless, faced with a growing number of defaults, China has begun to scale back its international lending activity, drastically reducing the volume of new loans and shifting toward high-interest rescue loans, often with rates even higher than those offered by the IMF. This shift reflects an effort to protect its assets while maintaining political control over debtor countries⁵¹.

Despite appearances, China is the principal beneficiary in these relationships. Such activities allow China to redirect idle assets that its own domestic economy cannot absorb, generating even greater returns for the country. In practice, when China signs an agreement, it uses its own machinery and labor to carry out the project and obtains a multi-decade concession to operate the infrastructure in question, in exchange for a small share of the profits for the host country.

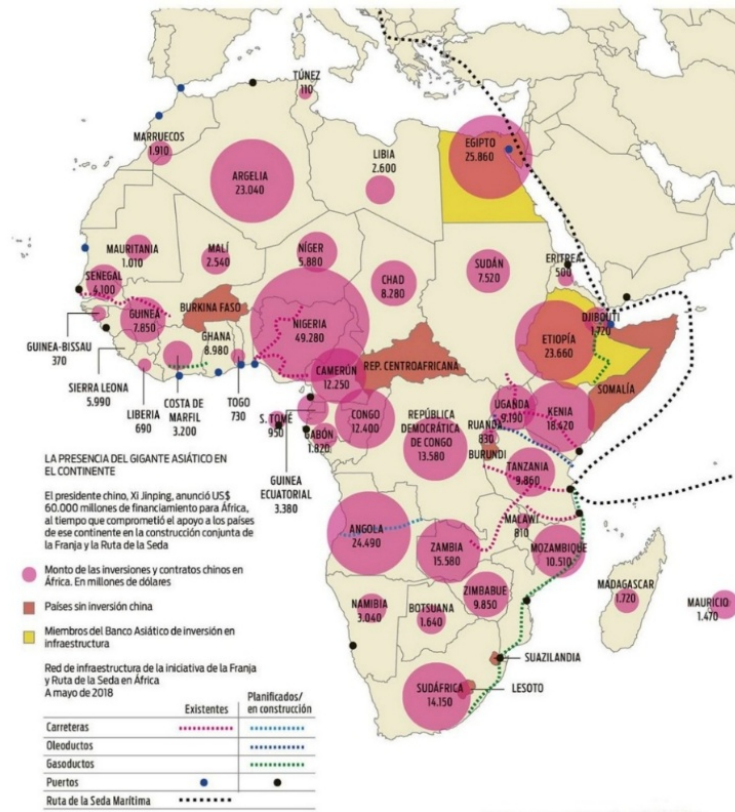
In parallel, China has been consolidating its own institutional and regulatory network to manage its global financial presence. Institutions such as the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB) act as financial extensions of the State, channeling funds into projects that strengthen economic interconnection with partner countries. However, unlike traditional multilateral institutions, their operations lack open governance mechanisms or political selection criteria, which reinforces Beijing’s control over the definition, execution, and monitoring of these projects.

[global-debt-governance-systemn](#). Accessed on 06.09.2025.

⁵⁰ Center for Strategic and International Studies (CSIS), “Game of Loans: How China Bought Hambantota,” April 2018. Available at: <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>. Accessed on 10.12.2025.

⁵¹ Lowy Institute, “Peak Repayment: China’s Global Lending – China’s Transition from Lead Bilateral Banker to Chief Debt Collector of the Developing World,” May 2025. Available at: <https://interactives.lowyinstitute.org/features/peak-repayment-china-global-lending/>. Accessed on 12.10.2025.

Alberto Pérez Rodríguez



Map 2. Chinese Presence in Africa in 2020. Source: Geopol21.

Conclusions

The evolution of China's economic and technological model reveals a comprehensive international projection strategy that combines commercial, industrial, and financial instruments to strengthen its global position. Through strategic subsidies, state control over key sectors, and planned industrial policies, China has managed to expand its influence across global value chains, technological innovation, and international finance, reshaping the global economic order and acquiring a significant capacity to influence it. However, China's most powerful weapon remains its long-term strategic planning.

This approach has generated structural asymmetries in global competition, as it interacts with open economies whose market rules differ substantially from China's planned framework. Europe's dependence on strategic supplies, critical minerals, and low-cost manufacturing highlights the need for a coordinated response to mitigate the risks arising from industrial and technological concentration.

In this context, it becomes clear that Western countries must reassess their strategic, economic, and security frameworks to confront a threat that, while not overtly explicit, is profoundly disruptive. While the United States has begun to implement concrete measures, the European Union remains fragmented and lacks a unified response. The absence of coordinated action could lead to a significant loss of economic and technological autonomy in the coming decades.

*Alberto Pérez Rodríguez**
Economic and Competitive Intelligence Analyst