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How China is preparing to resist Western pressure over Taiwan

Introduction

The Taiwan Strait represents one of the most volatile fault lines in contemporary international politics. As strategic competition between the United States and the People's Republic of China intensifies, the prospect of a crisis over Taiwan increasingly carries the risk of direct military confrontation between two nuclear-armed great powers. Additionally, Taiwan's pivotal position in global industrial supply chains for trade, technology, and science has elevated Taiwan-Strait security beyond a cross-strait issue to a critical security concern for the Indo-Pacific region and the world.¹ While much scholarly and policy analysis has focused on military balances, deterrence dynamics, and the credibility of U.S. commitments to Taiwan, less attention has been paid to how these factors are understood in Beijing.

On December 29, 2025, China launched its most extensive military drills around Taiwan to date, simulating a total blockade of the island. The two-day exercises were likely not the prelude to an actual invasion. Still, they delivered a clear message: Beijing is willing to flex its military muscles to intimidate Taiwanese authorities and deter other governments from deepening ties with Taipei. The drills were not an isolated provocation. They were the visible edge of a much broader, more patient strategy that China has been quietly assembling for years.²

For the Chinese Communist Party (CCP), Taiwan is not merely a territorial dispute but a central component of national identity, regime legitimacy, and the broader project of "national rejuvenation."³ The 2005 Anti-Secession Law codified reunification as a core national objective while explicitly identifying foreign interference as the primary obstacle to its realization.⁴ Within this framework, the United States occupies a unique position in Chinese strategic thinking: it is viewed simultaneously as the principal external constraint on unification and the decisive variable in determining whether coercion, conflict, or long-

¹ Chih-Tung Chung, *Analysis of the Deterrent Effects of Internationalizing Taiwan Strait Security on China* (Taipei: Institute for National Defense and Security Research, 2023), 27,

<https://indsr.org.tw/uploads/indsr/files/202307/b5da2047-76bc-4688-8409-dd61d27ca661.pdf>.

² William Yang and Huong Le Thu, "Three-Body Problem in the Taiwan Strait," *International Crisis Group*, March 2, 2026, <https://www.crisisgroup.org/cmt/asia-pacific/taiwan-strait-china-united-states/three-body-problem-taiwan-strait>.

³ Ministry of Foreign Affairs of the People's Republic of China, "Recovery of Taiwan: Echoes of WWII Justice and national rejuvenation," August 18, 2025, https://en.chinadiplomacy.org.cn/2025-08/18/content_118030954.shtml.

⁴ National People's Congress of the People's Republic of China, "Anti-Secession Law," December 13, 2007, http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/13/content_1384099.htm.

term pressure can succeed.

U.S.–Taiwan defense cooperation and arms sales are widely interpreted within Chinese strategic circles as core elements of American deterrence strategy, directly influencing PLA assessments of the military balance and the likely scale of U.S. involvement in a cross-Strait crisis. While the PLA continues to advance toward the reported 2027 deadline set by General Secretary Xi Jinping for achieving readiness for a Taiwan contingency,⁵ Chinese analysts acknowledge that the outcome of such a scenario remains uncertain due to sustained U.S. involvement and Taiwan's own defense improvements, including higher defense spending and increased mobilization efforts.⁶

That said, Xi continues to favor reunification without resorting to force. Recent history, from Ukraine to the American military campaign against Iran, demonstrates that no armed conflict, however asymmetric it may appear on paper, is immune to escalation and surprise. An invasion that descended into a protracted conflict would put Xi's own power and legitimacy at risk. Beijing is also well aware that any use of force against Taiwan would carry an immediate and unavoidable economic cost: at a minimum, the United States and its allies would respond by cutting China off from advanced technology and imposing sweeping economic and financial sanctions.⁷

This article argues that Beijing has reframed its Taiwan strategy from a question of military superiority to one of national resilience: China will not act as long as it believes Western sanctions could destabilize its economy and erode regime legitimacy, but it will act once its financial architecture is capable of absorbing that shock. To substantiate this argument, the article first examines how Chinese leaders perceive and quantify the vulnerabilities arising from financial sanctions and export controls; it then analyzes how the strategic ambiguity of the United States, sharpened under the Trump administration, reshapes Beijing's cost calculus; and it assesses the reputational and international costs China anticipates in the event of a crisis. The article concludes that effective Western deterrence requires not only military superiority but an equally credible capacity for

⁵ Sam Lagrone, "Milley: China Wants Capability to Take Taiwan by 2027, Sees No Near-Term Intent to Invade," *USNI News*, June 23, 2021, <https://news.usni.org/2021/06/23/milley-china-wants-capability-to-take-taiwan-by-2027-sees-no-near-term-intent-to-invade>

⁶ Focus Taiwan, "New mobilization agency formed to show Taiwan's resolute all-out defense: Tsai," December 30, 2021, <https://focustaiwan.tw/politics/202112300004>.

⁷ Richard Haass and David Sacks, "China Could Win Taiwan Without Fighting: The Cost of Trump's Equivocation," *Foreign Affairs*, June 22, 2026, <https://www.foreignaffairs.com/taiwan/china-could-win-taiwan-without-fighting>.

coordinated economic and political counter-coercion, one capable of persuading Beijing that the cost of acting will always exceed the cost of waiting.

Financial Sanctions and Chinese Economic Resilience.

From the perspective of Chinese leaders and policymakers, external constraints, especially those imposed by the United States, constitute the primary obstacle to any attempt at achieving reunification with Taiwan.⁸ Although domestic, political, economic, and ideological factors shape Beijing's declared approach to reunification, Chinese strategic discourse consistently identifies American commitments, military presence, and financial instruments as the decisive external variables that could prevent or delay this objective. This section examines how China interprets the scope, credibility, and limits of American involvement in the Taiwan Strait, analyzing Chinese assessments of US political, military, and economic deterrence, as well as the diplomatic and alliance structures that reinforce American influence in the region.

Economic Coercion as a Deterrence Instrument.

Economic countermeasures can initially aim to deter aggression, either by threatening punitive economic actions in response to a transgression (deterrence by punishment) or by denying the adversary the technology or resources needed to carry out future aggressive actions (deterrence by denial). They may also seek to degrade the adversary's capacity or willingness to sustain aggression once it has begun.

In the immediate aftermath of the Russian invasion of Ukraine, the focus of sanctions shifted from deterring military action to degrading Russia's capacity and willingness to continue the war. However, these developments were largely characterized by the alignment and willingness of G7 countries to bear prolonged costs in support of Ukraine.⁹ In appearance, the threat of severe sanctions against China seems less credible than those applied against Russia, given the importance of its economy and financial system.¹⁰

⁸ J. Michael Cole, "The U.S.-Taiwan Security Relationship in a Time of Transition," *Brookings Institution*, September 6, 2017, <https://www.brookings.edu/articles/the-u-s-taiwan-security-relationship-in-a-time-of-transition/>.

⁹ Charlie Vest and Agatha Kratz, *Sanctioning China in a Taiwan Crisis: Scenarios and Risks* (Washington, DC: Atlantic Council GeoEconomics Center and Rhodium Group, June 2023), 1.

¹⁰ Gerard DiPippo and Jude Blanchette, "Sunk Costs: The Difficulty of Using Sanctions to Deter China in a Taiwan Crisis," *Center for Strategic and International Studies*, June 12, 2023, <https://www.csis.org/analysis/sunk-costs-difficulty-using-sanctions-deter-china-taiwan-crisis>.

Nevertheless, Chinese analysts continue to consider it likely that the United States would resort to economic sanctions in a crisis over Taiwan; the only uncertain question is the anticipated severity and how many allies and partners would join Washington.¹¹

Financial Vulnerabilities and Resilience Measures.

One of China's most significant vulnerabilities, both for its financial security and its geopolitical ambitions, is its exposure to foreign sanctions. CCP General Secretary Xi Jinping has repeatedly emphasized financial security throughout his tenure, highlighting the growing risks stemming from intensifying economic and technological competition with the United States and its allies. His warnings have become more explicit since the West imposed sweeping sanctions on Russia following its invasion of Ukraine.¹² For China, existing US measures such as export controls and targeted sanctions already pose significant challenges,¹³ but studies warn that the sheer size of the Chinese economy and its dependence on advanced foreign technology and commodity imports could make a sanctions conflict with the West far more damaging.¹⁴

By cutting off access to the dollar and the institutions built around it, China's foreign trade, investment financing, and monetary policy operations could be severely affected. The freezing of more than 300 billion dollars in Russian central bank assets and the exclusion of major Russian banks from the SWIFT interbank payment system in 2022 deeply alarmed Chinese analysts.¹⁵ China conducted approximately 6 trillion dollars in goods trade in 2024, most of which depended on dollar-denominated transactions through global financial infrastructure such as SWIFT, CHIPS, and other US-linked correspondent banks. Exclusion from these systems could severely disrupt the ability of Chinese

¹¹ Chen Hongxiang, "Logical Analysis of U.S. Financial Sanctions and China's Contingency Plans," *Center for Strategic and International Studies*, Oct 10, 2022, <https://interpret.csis.org/translations/logical-analysis-of-u-s-financial-sanctions-and-chinas-contingency-plans/>.

¹² Hugh Grant-Chapman, Brian Hart, Bonny Lin, Leon Li, Truly Tinsley, Peter Dazheng Huang, and Claire Tiunn, "How Do Financial Risks Threaten China's Economic Security?," *CSIS China Power Project*, <https://chinapower.csis.org/china-financial-security/>.

¹³ Martin Chorzempa, "New Export Rule Escalates U.S.-China Tensions," *Peterson Institute for International Economics*, October 27, 2025, <https://www.piie.com/blogs/realtime-economics/2025/new-export-rule-escalates-us-china-tensions>.

¹⁴ Eduardo Baptista, "China Weighs Options to Blunt U.S. Sanctions in Taiwan Conflict," *Reuters*, October 20, 2023, <https://www.reuters.com/world/asia-pacific/china-weighs-options-blunt-us-sanctions-taiwan-conflict-2023-10-20/>.

¹⁵ Congressional Research Service, "Russia's War on Ukraine: Financial and Trade Sanctions," February 22, 2023, https://www.everycrsreport.com/files/2023-02-22_IF12062_136418322a0b057c05fd90694d21ed1d1e006d84.pdf.

companies to settle international payments, generating systemic risk for an economy highly dependent on foreign trade.¹⁶

US-led sanctions could also restrict China's access to international debt and capital markets, which in 2024 and 2025 amounted to more than 1 trillion dollars in dollar-denominated corporate debt¹⁷ and around 1.1 trillion dollars in market capitalization of Chinese companies listed on American stock exchanges.¹⁸ At the same time, massive dollar reserves are essential for the People's Bank of China (PBOC) to maintain currency stability and promote economic growth.¹⁹ The PBOC is estimated to hold around 1.6 trillion dollars in assets denominated in that currency, though some analysts argue that reserves could be higher. Were Washington and its allies to coordinate the freezing of these assets, as occurred in the Russian case,²⁰ China could face a dollar shortage, renminbi depreciation, import price shocks, and difficulties meeting its debt obligations.²¹

These concerns have prompted Beijing to accelerate sanctions resilience measures. The 2021 Anti-Foreign Sanctions Law created a legal framework for retaliation against US and European sanctions, expanded in 2024 and 2025 to encompass a broader set of measures.²² The law grants China the right to impose countermeasures against any foreign country it deems to be containing or suppressing China, discriminating against Chinese citizens or organizations, or interfering in its internal affairs. Individuals or entities placed on the countermeasures list, as well as those with specific ties to them, may be denied entry to China, expelled, or have their assets within the country confiscated,

¹⁶ Hugh Grant-Chapman, Brian Hart, Bonny Lin, Leon Li, Truly Tinsley, Peter Dazheng Huang, and Claire Tiunn, "How Do Financial Risks Threaten China's Economic Security?," *CSIS China Power Project*, <https://chinapower.csis.org/china-financial-security/>.

¹⁷ State Administration of Foreign Exchange (China), "SAFE Releases China's External Debt Data at the end of June 2024," September 30, 2024, <https://www.safe.gov.cn/en/2024/0930/2237.html>.

¹⁸ U.S.-China Economic and Security Review Commission, "Chinese Companies Listed on Major U.S. Stock Exchanges," <https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges>.

¹⁹ People's Bank of China, "Law of the People's Republic of China on The People's Bank of China," August 26, 2015, <http://www.pbc.gov.cn/english/130733/2941519/2015082610501049304.pdf>.

²⁰ Jan Strupczewski, "EU Set to Indefinitely Freeze Russian Assets, Removing Obstacle to Ukraine Loan," *Reuters*, December 12, 2025, <https://www.reuters.com/business/finance/eu-set-indefinitely-freeze-russian-assets-removing-obstacle-ukraine-loan-2025-12-12/>.

²¹ Hugh Grant-Chapman, Brian Hart, Bonny Lin, Leon Li, Truly Tinsley, Peter Dazheng Huang, and Claire Tiunn, "How Do Financial Risks Threaten China's Economic Security?," *CSIS China Power Project*, <https://chinapower.csis.org/china-financial-security/>.

²² State Council of the People's Republic of China, "实施《中华人民共和国反外国制裁法》的规定" [Provisions for the Implementation of the Law of the People's Republic of China on Countering Foreign Sanctions], March 2025, https://www.gov.cn/zhengqce/content/202503/content_7015400.htm.

frozen, or restricted. They may also face prohibitions on conducting business or other activities on Chinese territory.²³

More broadly, China is developing alternative financial infrastructure and promoting the internationalization of the renminbi, as highlighted in its Thirteenth Five-Year Plan (2016-2020). The proportion of Chinese trade denominated in renminbi increased from approximately 17% in 2020 to 26% in 2023, reflecting Beijing's efforts to reduce its dependence on the dollar.²⁴ However, the bulk of China's foreign trade continues to be settled in foreign currencies, leaving the economy structurally vulnerable to dollar-based sanctions and financial disruptions in the event of conflict.²⁵

Some analysts have suggested that China should mitigate the risk of sanctions by deepening, rather than reducing, economic interdependence with the United States and its allies. In parallel, the European Union and the United States have pursued "de-risking" strategies aimed at diversifying supply chains and reshoring production in sectors such as semiconductors, with limited results to date. In line with this vision of interdependence, former PBOC adviser Yu Yongding argued in 2022 that it is highly unlikely that the United States would confiscate China's dollar assets or suspend payments on US Treasury bonds held by China, as this would generate severe costs for the American economy itself.²⁶

These systemic vulnerabilities have also prompted mitigation proposals from experts. Wang Yongli, general manager of China International Futures, a major commodities and futures brokerage, warned that China's overseas reserve assets could be frozen under US-style sanctions. He subsequently suggested that, were the United States to apply measures similar to those imposed on Russia, Beijing could respond by freezing American investments and pension funds and confiscating assets of US companies.²⁷

²³ Zoey Zhang, "China's Anti-Foreign Sanctions Law Approved to Counter U.S., EU Sanctions," *China Briefing*, June 11, 2021, <https://www.china-briefing.com/news/chinas-anti-foreign-sanctions-law-approved-counter-us-eu-sanctions/>.

²⁴ Hugh Grant-Chapman, Brian Hart, Bonny Lin, Leon Li, Truly Tinsley, Peter Dazheng Huang, and Claire Tiunn, "How Do Financial Risks Threaten China's Economic Security?," *CSIS China Power Project*, <https://chinapower.csis.org/china-financial-security/>.

²⁵ CSIS China Power Project, "Will China's Push to Internationalize the Renminbi Succeed?" <https://chinapower.csis.org/china-renminbi-rmb-internationalization/>.

²⁶ Eduardo Baptista, "China Weighs Options to Blunt U.S. Sanctions in Taiwan Conflict," *Reuters*, October 20, 2023, <https://www.reuters.com/world/asia-pacific/china-weighs-options-blunt-us-sanctions-taiwan-conflict-2023-10-20/>.

²⁷ Ibid.

Sun Xiaotao, a researcher at the China Center for International Economic Exchanges (CCIEE), drawing on the lessons from Moscow and the international response to the invasion of Ukraine, argued that China should increase gold-denominated trade to protect the yuan against significant fluctuations. He noted that Russia had increased its gold reserves by one million ounces since the start of the conflict, highlighting the strategic importance of diversifying currency reserves.²⁸ According to the PBOC, China made gold purchases for 12 consecutive months through October 2025. Some analysts suggest that the PBOC's total gold reserves could exceed official figures and reach approximately 5,000 tons, which would place China second in the world.²⁹

Trade Dependencies and Supply Chains.

In the event of a serious crisis in the Taiwan Strait, export controls and trade restrictions imposed by the United States and its allies would likely target sectors closely linked to China's defense industrial base. These include chemicals, metals, electronics, aviation, and shipbuilding. Collectively, these industries account for more than 10% of China's GDP, generate more than 6.7 trillion dollars in annual revenue, and employ more than 45 million people. From Beijing's perspective, sanctions targeting these sectors would therefore carry substantial economic and social costs. While unprecedented in scale, such measures are not without historical precedent: following the Russian invasion of Ukraine, G7 countries imposed export controls and asset-freezing measures affecting the energy, minerals, defense, and advanced technology sectors.³⁰

Quantitative assessments cited by analysts suggest that the economic impact of similar measures against China would be severe. G7 exporters supply approximately 18% of the imported inputs used by these industries, equivalent to 153 billion dollars according to trade-in-value-added data that tracks the origin of production across global supply chains. At the same time, G7 countries absorb around 43% of Chinese exports in these sectors,

²⁸ Reuters, "Russia's Central Bank Adds 1 Million Ounces of Gold Since Start of Ukraine War," <https://www.reuters.com/article/markets/commodities/russias-central-bank-adds-1-mln-oz-of-gold-since-start-of-ukraine-war-data-idUSL1N35V1W8/>.

²⁹ Inma Bonet and Guillermo Abril, "China's Secret Gold Purchases Boost Price by 40%," *El País*, November 24, 2025, <https://english.elpais.com/economy-and-business/2025-11-24/chinas-secret-gold-purchases-boost-price-by-40.html>.

³⁰ Charlie Vest and Agatha Kratz, *Sanctioning China in a Taiwan Crisis: Scenarios and Risks* (Washington, DC: Atlantic Council GeoEconomics Center and Rhodium Group, June 2023), 23. <https://www.atlanticcouncil.org/in-depth-research-reports/report/sanctioning-china-in-a-taiwan-crisis-scenarios-and-risks/>.

putting approximately 225 billion dollars of manufacturing activity at risk. In employment terms, more than 15 million jobs in China are estimated to depend on exports from these industries.³¹

At the same time, Chinese assessments emphasize that these dependencies are deeply reciprocal. The same 153 billion dollars in G7 exports to Chinese industries sustains approximately 1.3 million jobs across the G7, while China supplies around 25% of G7 imports in these sectors. Taken together, conservative estimates suggest that export controls could disrupt at least 378 billion dollars in bilateral trade flows.³² This degree of mutual exposure is central to Chinese skepticism regarding the political viability of a fully coordinated sanctions regime.³³

Zhang Qizai, deputy director of the Institute of Industrial Economics at the Chinese Academy of Social Sciences, and Chen Hanxue argued in November 2024 that Russian industrial chains had demonstrated "strong resilience against extreme sanctions" following the invasion of Ukraine. They contended that China should strengthen stability and supply security in key sectors, particularly food, energy, and minerals, as the foundation of economic resilience and national security.³⁴

These recommendations extend beyond industrial policy into crisis governance. Zhang and Chen proposed improvements to emergency management systems and greater transparency in food and energy supply chains, underscoring the role of feed and fertilizers in grain security.³⁵ They also advocated for deepening cross-border supply chain cooperation with neighboring states such as Russia and Kazakhstan, as well as diversifying China's external economic ties through frameworks such as the Belt and Road Initiative and the Regional Comprehensive Economic Partnership.³⁶

³¹ Ibid., p. 25.

³² Ibid., p. 26.

³³ Ibid., p. 27.

³⁴ Sylvia Ma, "China should learn from Russian 'resilience' in sanctions defence: researchers," *South China Morning Post.com*, November 7, 2024, <https://www.scmp.com/economy/global-economy/article/3285584/china-should-learn-russian-resilience-sanctions-defence-researchers>.

³⁵ Sylvia Ma, "China food security: grain reigns supreme as higher yields sought from limited land," *South China Morning Post.com*, April 12, 2024, <https://www.scmp.com/economy/china-economy/article/3258773/china-food-security-grain-reigns-supreme-higher-yields-sought-limited-land>

³⁶ Ralph Jennings, "What China's Belt and Road Initiative has in store for coming decade as priorities evolve," *South China Morning Post.com*, September 13, 2024, <https://www.scmp.com/economy/global-economy/article/3278274/what-chinas-belt-and-road-initiative-has-store-coming-decade-priorities-evolve>

Complementary proposals include the mutual international recognition of logistics standards to diversify transport routes and storage infrastructure. Taken together, these measures seek to reduce China's vulnerability to externally induced supply shocks.

Energy and commodity markets feature prominently in Chinese assessments of sanctions risk. Mou Lingzhi, of the Shanghai Academy of Social Sciences, argued in January 2023 that Russia's insistence on natural gas payments in rubles should encourage China to accelerate yuan-denominated pricing for strategic commodities, including lithium for electric vehicle batteries. Similarly, researchers linked to the central bank have advocated expanding yuan settlement in energy trade as a means of reducing exposure to US dollar dominance.³⁷

Concerns over strategic materials have also intensified. Researchers at China Minmetals Corporation warned in June 2022 of the need for emergency supply plans for iron, copper, nickel, and other critical metals, citing the suspension of Russian nickel on the London Metal Exchange as an example of market vulnerability.³⁸ Other analysts have proposed the formation of new economic groupings designed to shield China and partner countries from escalating sanctions. Ye Yan, of the China National Oil and Gas Exploration and Development Company, argued in January 2025 that discounted Russian oil exports to China under Western sanctions offered a model of an "anti-sanctions corporate network" that would facilitate preferential trade among participating countries.

Finally, some Chinese analysts highlight the strategic exploitation of political divisions among sanctioning countries. Perceived inconsistencies within the European Union, such as continued fossil fuel imports from Russia exceeding financial aid to Ukraine, are cited as evidence of limited Western cohesion.³⁹ From this perspective, the scale of foreign investment and market dependence associated with China makes the formation of a unified sanctions coalition substantially more difficult than in the Russian case, a view

³⁷ Eduardo Baptista, "China Weighs Options to Blunt U.S. Sanctions in Taiwan Conflict," *Reuters*, October 20, 2023, <https://www.reuters.com/world/asia-pacific/china-weighs-options-blunt-us-sanctions-taiwan-conflict-2023-10-20/>.

³⁸ Reuters, "London Metal Exchange Suspends Russian Nickel in UK Warehouses," August 16, 2022, <https://www.reuters.com/markets/europe/london-metal-exchange-suspends-russian-nickel-uk-warehouses-2022-08-16/>.

³⁹ Vaibhav Raghunandan, Petras Katinas, Isaac Levi, and Luke Wickenden, *Third Year of Invasion: Analysis* (Centre for Research on Energy and Clean Air, April 10, 2025), https://energyandcleanair.org/wp/wp-content/uploads/2025/04/CREA_Analysis_Third-year-of-invasion_24.02.2025_REVISED_10.04.2025.pdf.

also shared by external observers such as Martin Chorzempa.⁴⁰

US Strategic Ambiguity as Seen from Beijing.

The United States' approach to a possible intervention in the Taiwan Strait is defined by the tension between formal legal commitments and a deliberately ambiguous political posture, encapsulated in the doctrine of strategic ambiguity. Chinese strategic analysis regards the Taiwan Relations Act (TRA) of 1979 as the primary legal framework structuring the risk of American intervention, establishing the minimum level of support Beijing must take into account.⁴¹ Enacted unilaterally by the US Congress following the severance of official diplomatic relations with Taiwan, the TRA functions as a strategic "containment mechanism" that guarantees a certain level of American support and conditions the entire relationship between the United States and China.⁴²

The TRA requires the United States to provide Taiwan with the defense articles and services necessary to maintain a sufficient self-defense capability and the ability to resist any use of force or coercion that threatens its security or its social and economic systems.⁴³ In Chinese strategic discourse, these obligations are framed as external interference designed to prevent reunification.⁴⁴

The return of Donald Trump to the White House in 2025 introduced new uncertainty into Chinese assessments of American deterrence regarding Taiwan.⁴⁵ His transactional approach to alliances,⁴⁶ with public statements presenting security guarantees as

⁴⁰ Eduardo Baptista, "China Weighs Options to Blunt U.S. Sanctions in Taiwan Conflict," *Reuters*, October 20, 2023, <https://www.reuters.com/world/asia-pacific/china-weighs-options-blunt-us-sanctions-taiwan-conflict-2023-10-20/>.

⁴¹ David Sacks, "The Taiwan Relations Act: A Necessary but Not Sufficient Tool for Maintaining Cross-Strait Stability," *Global Taiwan Brief* 9, no. 7 (April 2024), 16.

⁴² Jacques deLisle, "The Enduring—If Troubled—Genius of the Taiwan Relations Act, 45 Years On," *Global Taiwan Brief* 9, no. 7 (April 3, 2024), 4, <https://globaltaiwan.org/2024/04/the-enduringif-troubledgenius-of-the-taiwan-relations-act-45-years-on/>.

⁴³ Alexander Gray, "The Taiwan Relations Act at 45: A Pillar of US Statecraft," *Global Taiwan Brief* 9, no. 7 (April 3, 2024), 8, <https://globaltaiwan.org/2024/04/the-taiwan-relations-act-at-45-a-pillar-of-us-statecraft/>.

⁴⁴ Embassy of the People's Republic of China in the United States, "White Paper: The Taiwan Question and China's Reunification in the New Era," August 10, 2022, https://us.china-embassy.gov.cn/eng/zqyw/202208/t20220810_10740168.htm.

⁴⁵ T. Y. Wang, "Strategic Ambiguity or Strategic Clarity: China's Rise and U.S. Policy Towards the Taiwan Issue," *Journal of Asian Security and International Affairs* 12, no. 2 (2025): 233. <https://doi.org/10.1177/23477970251335139>.

⁴⁶ Richard C. Bush and Ryan Hass, "How Would the Trump or Harris Administration Approach Taiwan?" *Brookings Institution*, October 3, 2024, <https://www.brookings.edu/articles/how-would-the-trump-or-harris-administration-approach-taiwan/>.

conditional transactions, has generated the perception that Washington's commitment to Taiwan could be negotiable rather than automatic.⁴⁷ In this regard, Trump's statement in August 2025 that Xi Jinping had assured him China would not invade Taiwan during his presidency was widely interpreted as consistent with strategic ambiguity rather than as a binding commitment.⁴⁸

From Beijing's perspective, the most recent meeting in May 2026 between President Donald Trump and Xi Jinping deepened doubts about the Trump administration's commitment to Taiwan following the suspension of a significant arms package, after weapons sales discussions held with the CCP General Secretary, which Trump referred to as a "bargaining chip".⁴⁹ This decision was particularly striking for the People's Republic of China given that Taiwan had more than met the standards Washington demands of its own allies: its defense spending has reached 3.3% of GDP,⁵⁰ above NATO's 2% threshold, and the legislature approved a special budget of 25 billion dollars in May 2025 to acquire critical capabilities directly from the United States.⁵¹ This decision also represents an erosion of the Six Assurances formulated during the Reagan administration, through which the United States committed, among other things, not to consult with the People's Republic of China on arms sales to Taiwan, a practice that subsequent administrations have continuously upheld.⁵²

From this perspective, Trump's rhetoric suggesting that Taiwan should "pay" for American protection, as well as his criticism of the Taiwanese semiconductor industry, can be interpreted as an attempt to blur the line between deterrence and negotiation, deepening

⁴⁷ David Sacks, "Trump Is Making Taiwan More Vulnerable," *Council on Foreign Relations*, February 21, 2025, <https://www.cfr.org/blog/trump-making-taiwan-more-vulnerable>.

⁴⁸ Jasper Ward, "Trump Says Xi Told Him China Will Not Invade Taiwan While He Is U.S. President," *Reuters*, August 15, 2025, <https://www.reuters.com/world/china/trump-says-xi-told-him-china-will-not-invade-taiwan-while-he-is-us-president-2025-08-15/>.

⁴⁹ Rush Doshi and David Sacks, "Trump Shouldn't Give China a Veto on Taiwan Arms Sales," *Council on Foreign Relations*, May 28, 2026, <https://www.cfr.org/articles/trump-shouldnt-give-china-a-veto-on-taiwan-arms-sales>.

⁵⁰ Taipei Times, "Defense Spending to Reach Unprecedented 3.3% of GDP," August 22, 2025, <https://www.taipeitimes.com/News/front/archives/2025/08/22/2003842464>.

⁵¹ Ben Blanchard and Roger Tung, "Taiwan Parliament Approves Extra Defence Spending but Less Than Government Wanted," *Reuters*, May 8, 2026, <https://www.reuters.com/world/asia-pacific/taiwan-parliament-approves-extra-defence-spending-less-than-government-wanted-2026-05-08/>.

⁵² Taipei Times, "Defense Spending to Reach Unprecedented 3.3% of GDP," August 22, 2025, <https://www.taipeitimes.com/News/front/archives/2025/08/22/2003842464>.

strategic ambiguity rather than clarifying American red lines.⁵³

Experts in the region frequently draw parallels between Trump's approach to Taiwan and his handling of the Russia-Ukraine conflict. In particular, the pressure exerted on Ukraine to cede access to critical mineral resources in exchange for American support is cited as evidence that US security guarantees can be conditional and negotiable.⁵⁴ From this perspective, American intervention in a crisis over Taiwan is not assumed to be automatic, but rather dependent on perceived material returns and strategic advantages. Whereas the Biden administration framed Taiwan within a values-based alliance structure, Trump's approach prioritizes transactionalism, deal-making, and cost-benefit calculations, thereby increasing uncertainty over American willingness to intervene militarily.⁵⁵ Given that Trump has expressed his desire to negotiate a broad economic agreement with Beijing, the Chinese government could offer trade concessions in exchange for Washington's position on Taiwan, without Taipei's participation.

US policy towards Taiwan is perceived throughout the Indo-Pacific as a critical indicator of the robustness of Washington's commitments. If other countries in the region conclude that support for Taipei is negotiable, some such as Japan or South Korea may opt for greater autonomous military capabilities or a foreign policy less aligned with American interests; the majority, however, would conclude that they have no choice but to accommodate Beijing's preferences.⁵⁶

Reputational Costs and International Opinion.

In the event of American intervention or a Chinese attempt to take Taiwan, China anticipates significant political, economic, and reputational consequences. International sanctions could affect key sectors, potentially isolating China from global markets and slowing economic growth. China's relations with its main trading partners and regional neighbors could deteriorate, weakening its efforts to project power and present itself as a

⁵³ Arjun Kharpal, "Trump Says Taiwan Should Pay the U.S. for Defense; Shares of TSMC Fall," *CNBC*, July 17, 2024, <https://www.cnbc.com/2024/07/17/trump-says-taiwan-should-pay-the-us-for-defense-shares-of-tsmc-fall.html>.

⁵⁴ Amanda Taub, "Trump's U.S.-Ukraine Mineral Deal," *New York Times*, February 25, 2025, <https://www.nytimes.com/2025/02/25/world/europe/trump-us-ukraine-mineral-deal.html?searchResultPosition=3>.

⁵⁵ Ana Swanson, "Trump's China Trade Deal," *New York Times*, February 19, 2025, <https://www.nytimes.com/2025/02/19/business/economy/trump-china-trade-deal.html>.

⁵⁶ Richard Haass and David Sacks, "China Could Win Taiwan Without Fighting: The Cost of Trump's Equivocation," *Foreign Affairs*, June 22, 2026, <https://www.foreignaffairs.com/taiwan/china-could-win-taiwan-without-fighting>.

responsible global actor.

A prolonged or costly conflict could also threaten internal stability, with dissent emerging within the CCP and among the population, particularly if military gains were limited. Civilian and military casualties could further erode the Party's legitimacy. From Beijing's perspective, even a successful intervention could entail long-term reputational costs, weakening China's strategic position and undermining its broader narrative of national rejuvenation.⁵⁷

The People's Republic of China now finds itself at a unique moment in its modern history. An action over Taiwan would not only generate conventional reputational costs, namely sanctions and diplomatic isolation, but would destroy something strategically more valuable: China's narrative as a power that respects the international order and its norms, precisely at the moment when its main rival is eroding that position of its own accord. The credibility of the United States as guarantor of the liberal international order is at its most precarious since the end of the Cold War. The Trump administration has questioned its commitments to NATO and imposed sweeping tariffs even against longstanding allies; pressured Ukraine into reaching a quick peace agreement, prioritizing its electoral commitments over the conditions Kyiv considered acceptable; detained Venezuelan president Nicolás Maduro in a unilateral operation; and intervened militarily in Iran without allied coordination or a political framework defining the scope or duration of operations.⁵⁸

The accumulation of these decisions is generating consequences that transcend the short term: Washington's allies trust less in its reliability as a partner; their publics show a decreasing willingness to bear the costs of international commitment; and its rivals perceive American resolve as more easily challengeable.⁵⁹ According to a survey by the European Council on Foreign Relations published in 2026, half of European citizens no longer consider the United States an ally but rather a "necessary partner", and a growing

⁵⁷ S. B. Asthana, "What Cost Is China Willing to Bear to Invade Taiwan?," *Indo-Pacific Defense Forum*, October 2025, <https://ipdefenseforum.com/2025/10/what-cost-is-china-willing-to-bear-to-invade-taiwan/>.

⁵⁸ Jana Kobzová and Paweł Zerka, *Home Alone: Europeans Are Ready to Defend Themselves* (London: European Council on Foreign Relations, June 10, 2026), 5, <https://ecfr.eu/publication/home-alone-europeans-are-ready-to-defend-themselves/>.

⁵⁹ Paul Musgrave, "Iran Is a Bigger Defeat Than Vietnam," *Foreign Policy*, June 16, 2026, <https://foreignpolicy.com/2026/06/16/iran-vietnam-strategy-defeat/>.

proportion perceives it directly as a rival or adversary.⁶⁰ More significantly, majorities in all surveyed countries believe Washington would not come to their defense if they were attacked.⁶¹

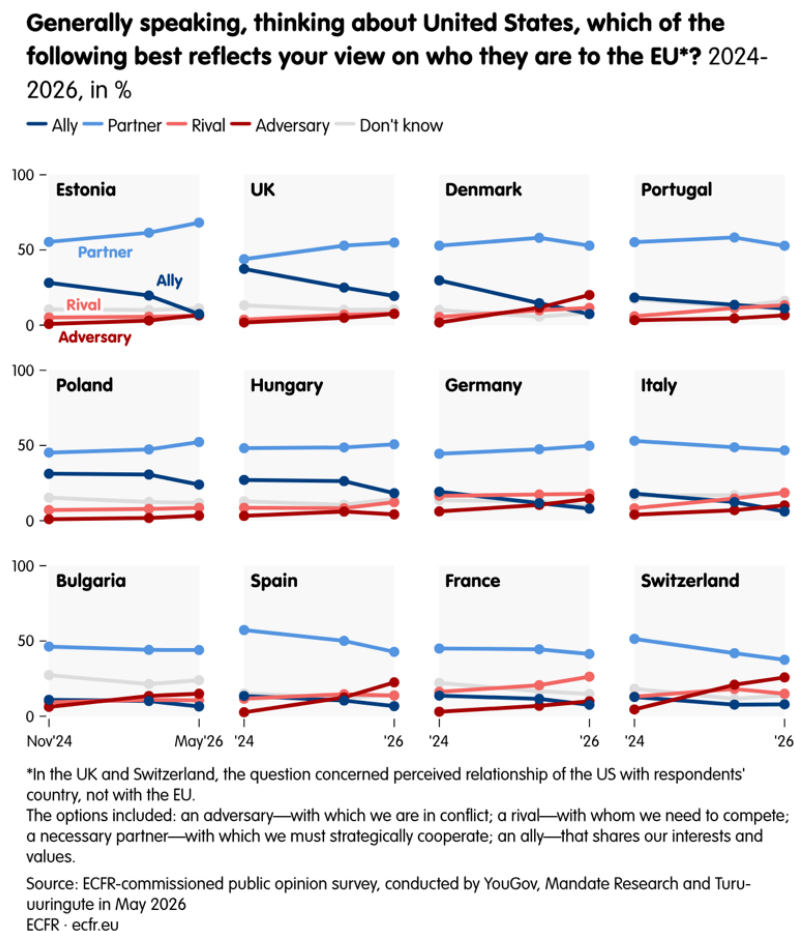


Figure 1. Perception of the United States as ally, partner, or adversary in Europe, 2024-2026 (ECFR, 2026).⁶²

For Beijing, these figures are strategically revealing: if Washington's own historical allies have independently concluded that the US is an unreliable guarantor, China need not invest in convincing anyone of this. The narrative is building itself. In this context, an action over Taiwan would interrupt precisely the moment when American prestige is

⁶⁰ Jana Kobzová and Paweł Zerka, *Home Alone: Europeans Are Ready to Defend Themselves* (London: European Council on Foreign Relations, June 10, 2026), 3, <https://ecfr.eu/publication/home-alone-europeans-are-ready-to-defend-themselves/>.

⁶¹ Ibid., p. 5.

⁶² Ibid.

crumbling at no cost to Beijing, turning China into the actor that chooses to destroy the international order just when history was offering it the opportunity to preserve and lead it.

This erosion reaches even Taiwan, where a study by Academia Sinica⁶³ revealed that only around 34% of respondents consider the United States a credible country, a figure that has fallen more than ten percentage points over five years⁶⁴ and that Trump's hesitations over arms sales threaten to erode further. As confidence in American protection wanes, the more skeptical Taiwanese politicians find it increasingly difficult to justify defense spending, and the case for greater accommodation with Beijing gains ground; China hopes to capitalize on this opening to push the Kuomintang towards an openly pro-China stance and return it to power in 2028.⁶⁵ Taiwanese confidence in China, by contrast, is moving in the opposite direction: it has increased from 11% to 17% over the same period.⁶⁶

China also possesses its own narrative framework with which to occupy that space. In his address to the World Economic Forum in Davos in January 2017,⁶⁷ Xi Jinping positioned himself as the guardian of the rules-based international architecture at a moment when the Trump administration was beginning to question it with its "America First" policy, which was widely interpreted as a signal that Beijing was prepared to assume that role should Washington abandon it.⁶⁸ In this context, the *Tianxia* theory, reconstructed by neo-Confucian philosopher Zhao Tingyang, becomes particularly relevant. Its origins trace back to the political order of the Zhou dynasty (1046-771 BC), articulated around a hierarchical system of governance in which China occupied the apex, but whose cohesion

⁶³ Institute of European and American Studies, Academia Sinica, *American Portrait Project Survey*, released March 2026, <https://www.american-portrait.tw/en/>.

⁶⁴ Hollie Younger, "Majority of Taiwanese Willing to 'Resist at All Costs' in China Invasion Without US Help: Survey," *Taipei Times*, March 12, 2026, <https://www.taipeitimes.com/News/taiwan/archives/2026/03/12/2003853710>.

⁶⁵ Richard Haass and David Sacks, "China Could Win Taiwan Without Fighting: The Cost of Trump's Equivocation," *Foreign Affairs*, June 22, 2026, <https://www.foreignaffairs.com/taiwan/china-could-win-taiwan-without-fighting>.

⁶⁶ Hollie Younger, "Majority of Taiwanese Willing to 'Resist at All Costs' in China Invasion Without US Help: Survey," *Taipei Times*, March 12, 2026, <https://www.taipeitimes.com/News/taiwan/archives/2026/03/12/2003853710>.

⁶⁷ Xi Jinping, "Jointly Shoulder Responsibility of Our Times, Promote Global Growth," keynote speech, April 6, 2017, official English translation, http://www.china.org.cn/node_7247529/content_40569136.htm.

⁶⁸ Matti Puranen, "Liberal International Order without Liberalism: Chinese Visions of World Order," in *Revisiting Regionalism and the Contemporary World Order: Perspectives from the BRICS and Beyond*, ed. Élise Féron, Jyrki Kähkönen, and Gabriel Rached, 1st ed. (Leverkusen: Verlag Barbara Budrich, 2019), 262–263, <https://doi.org/10.2307/j.ctvr00xjn.16>.

rested not on coercion but on the establishment of mutually beneficial relations among all participating states.⁶⁹

This revitalized theory proposes the formation of a new world order governed by an institution that constitutes an example of successful and morally legitimate governance, whose objective is to transcend the failed Westphalian system.⁷⁰ Qin Yaqing, one of China's leading international relations theorists, has argued that such a system would be politically justified provided that global governance benefited all nations harmoniously.⁷¹ In this sense, *Tianxia* has been described as an expression of Chinese exceptionalism, as it seeks to universalize China's traditional political practices.⁷²

These ideas have transcended the academic sphere and influenced the political agenda of CCP leaders. Hu Jintao incorporated the notion of a "harmonious world" into China's official foreign policy discourse, presenting it before the UN General Assembly in 2005 as a framework for its international engagement;⁷³ Xi Jinping has continued that aspiration with his own formulation, the "community of shared future for mankind".⁷⁴ Nevertheless, Zhao's project has not been without criticism. William Callahan argues that, despite its pretension to universality, *Tianxia* functions in practice as a philosophical justification of China's rise elaborated by academics close to the state, and warns that the hierarchical model it proposes, with China at the center, would prove incompatible, if implemented, with the liberal international order.⁷⁵

This discursive continuity across successive CCP administrations suggests that *Tianxia*

⁶⁹ Zhao Tingyang, *All under Heaven: The Tianxia System for a Possible World Order*, trans. Joseph E. Harroff, 1st ed., vol. 3 (Oakland: University of California Press, 2021), 43–44.

⁷⁰ Daniel Tobin, *How Xi Jinping's "New Era" Should Have Ended U.S. Debate on Beijing's Ambitions* (Washington, DC: Center for Strategic and International Studies, 2020), 19, <http://www.jstor.org/stable/resrep24771>.

⁷¹ Qin Yaqing, "Culture and Global Thought: Chinese International Theory in the Making," *Revista CIDOB d'Afers Internacionals* 100 (December 2012): 72, <https://www.cidob.org/en/publications/culture-and-global-thought-chinese-international-theory-making>.

⁷² Lluç López i Vidal, Iván González-Pujol, and Ferrán Pérez-Mena, "The Contributions of the Chinese and Japanese Academy in the Theory of International Relations: Beyond Western Domination," *UNISCI Journal* 51 (October 2019): 342–343, <https://openaccess.uoc.edu/server/api/core/bitstreams/43536291-e9da-45ee-ae4c-081520fb0a0a/content>.

⁷³ Hu Jintao, "Build Towards a Harmonious World of Lasting Peace and Common Prosperity," speech at the Plenary Meeting of the United Nations 60th Session, New York, September 15, 2005, <https://www.un.org/webcast/summit2005/statements15/china050915eng.pdf>.

⁷⁴ Daniel Tobin, *How Xi Jinping's "New Era" Should Have Ended U.S. Debate on Beijing's Ambitions* (Washington, DC: Center for Strategic and International Studies, 2020), 15, <http://www.jstor.org/stable/resrep24771>.

⁷⁵ William A. Callahan, "Chinese Visions of World Order: Post-Hegemonic or a New Hegemony?," *International Studies Review* 10, no. 4 (December 2008): 749–761, <http://www.jstor.org/stable/25482021>.

theory serves as a vehicle for a structural aspiration of the Party: to present China as the alternative international leadership that safeguards the order and wellbeing of all states, precisely at the moment when Beijing perceives Washington abandoning that role. By claiming that role of guarantor of the international order for itself, however, Beijing also submits to its own standard: an intervention over Taiwan would cease to be merely a problem of sanctions and diplomatic isolation, and would become the proof that contradicts the role China claims to want to occupy.

China's Strategic Responses.

Anticipating the possibility of American intervention in a crisis in the Taiwan Strait, Beijing has developed a multidimensional strategy combining economic diplomacy, grey zone coercion, and political messaging designed to undermine US credibility and limit international support for Taiwan. These responses seek not only to increase the costs of intervention for Washington and its allies, but also to shape the political and legal environment in which a crisis would unfold.

At the discursive level, Beijing has sought to reinforce the political and legal foundation of the one China principle by embedding Taiwan within a broader global framework of sovereignty. Two significant foreign policy documents, *China's Position on the Political Settlement of the Ukraine Crisis*⁷⁶ and the *Global Security Initiative Concept Paper*, underscore sovereignty and territorial integrity as fundamental principles of the international order.⁷⁷ Through this narrative, Beijing argues that Taiwan constitutes an internal matter rather than a question of international concern, while criticizing Western governments for what it regards as selective applications of sovereignty norms. The primary legal instrument of this approach is UN General Assembly Resolution 2758, whose Chinese interpretation, which Beijing seeks to consolidate internationally, would exclude any external intervention in a strait crisis by depriving it of normative basis. Were this reading to gain wider acceptance, it would significantly weaken the legal justification for American or allied intervention.⁷⁸

⁷⁶ Ministry of Foreign Affairs of the People's Republic of China, "China's Position on the Political Settlement of the Ukraine Crisis," February 24, 2023, https://www.mfa.gov.cn/eng/zy/gb/202405/t20240531_11367485.html.

⁷⁷ Ibid.

⁷⁸ Permanent Mission of the People's Republic of China to the UN, "China's Position Paper on the United Nations

Beyond the financial countermeasures already described, China could also resort to retaliatory economic measures targeting critical materials in global supply chains. These could include export controls or trade restrictions on strategic materials such as rare earths, gallium and germanium, essential for semiconductor manufacturing, and graphite, crucial for electric vehicle batteries. While the direct commercial value of these goods may be limited, their downstream economic and technological effects would be substantial.⁷⁹ Beijing has demonstrated its willingness to deploy these tools in the past: during the 2025 trade war, Chinese rare earth export restrictions forced Washington back to the negotiating table, limiting its ability to sustain economic pressure on China at a moment of peak trade tension.⁸⁰ In a Taiwan-related crisis, similar measures could be employed to impose asymmetric costs on US allies and signal China's capacity to instrumentalize interdependence.

Economic leverage also plays a central role in Beijing's efforts to undermine American credibility and limit the effectiveness of sanctions. In parallel, China could leverage its extensive trade and bilateral financing relationships with G20 members and developing economies to encourage neutrality or non-participation in US-led sanctions. By reducing the reach and cohesion of any sanctions regime, Beijing seeks to undermine the credibility of a coordinated Western response and question Washington's capacity to mobilize sustained international support.⁸¹

At the operational level, grey zone tactics are used to shape the strategic environment below the threshold of armed conflict. These include calibrated coercive actions such as Chinese Coast Guard incursions into disputed waters, air and naval presence, and diplomatic activities designed to create facts on the ground while avoiding escalation. Negotiation and dialogue are also used instrumentally to slow American decision-making

General Assembly Resolution 2758," September 30, 2025, https://un.china-mission.gov.cn/eng/zgyw/202509/t20250930_11721842.htm.

⁷⁹ Logan Wright, Agatha Kratz, Charlie Vest, and Matthew Mingey, *Retaliation and Resilience: China's Economic Statecraft in a Taiwan Crisis* (London: Atlantic Council GeoEconomics Center, March 2025), 2. <https://www.atlanticcouncil.org/in-depth-research-reports/report/retaliation-and-resilience-chinas-economic-statecraft-in-a-taiwan-crisis/>.

⁸⁰ Spencer Kimball, "The Biggest Takeaways from the Trump-Xi Meeting—What the Truce Covers and What Is Still Unclear," *CNBC*, October 30, 2025, <https://www.cnbc.com/2025/10/30/trump-xi-south-korea-rare-earth-tariff-trade-war-nvidia.html>.

⁸¹ Ibid.

and exploit the time required for Washington to mobilize forces and coordinate with its allies. Consistent patterns have been identified in Chinese grey zone behavior, such as the progressive expansion of maritime coercion against Japanese vessels near the Diaoyutai/Senkaku islands and similar actions against Taiwanese fishing boats. Allowing these activities to continue without effective countermeasures risks normalizing incremental advances, thereby incentivizing further coercion.⁸²

Conclusion.

The military exercises of December 2025, the most extensive China has conducted to date around Taiwan and which simulated a complete naval blockade, serve as a stark reminder that Beijing's pursuit of reunification is neither abstract nor distant. Yet the exercises themselves reveal only part of the story. What this article has shown is the quieter, more patient dimension of Chinese strategy: the systematic effort to identify all instruments of Western pressure and build resilience against them before any crisis erupts.

For the CCP, reunification depends less on military superiority than on the capacity to absorb the economic and reputational cost of action. On the financial front, Beijing has accelerated its sanctions resilience since 2022, but remains structurally exposed to dollar-based infrastructure. On the political front, Trump's transactional ambiguity has reduced the perceived cost of coercion and eroded Taipei's confidence in the American commitment. On the operational front, grey zone tactics are gradually modifying the status quo in the strait without provoking a unified international response. Chinese strategy prioritizes, in sum, the temporal factor: act when that financial architecture can absorb the shock, not before, and each of these three dynamics works in its favor.

For Washington, this implies that military deterrence alone is insufficient. An effective strategy must demonstrate an equally clear, coordinated, and credible capacity for economic and political counter-coercion, capable of convincing Beijing that the cost of acting will always exceed the cost of patience. This requires acting on two simultaneous

⁸² Zhiyong Lai, "中國灰色地帶行動 分析：恐使他國難介入台海衝突" [Analysis of China's Gray Zone Operations: Fear of Making It Difficult for Other Countries to Intervene in Cross-Strait Conflicts], *Central News Agency (Taiwan)*, September 12, 2024, <https://www.cna.com.tw/news/aipl/202409120273.aspx>.

fronts: restoring the credibility of the commitment to Taipei and reducing its own vulnerabilities to Beijing's economic coercion.

The first measure is to restore the suspended arms package: Xi may respond by cancelling diplomatic commitments, but that would be a reasonable price if the result is that Beijing understands that Taiwan is not his to take. Restoring the agreement is not sufficient on its own, however. The Trump administration must adopt additional deterrence measures, such as supporting the development of Taiwan's defense industry through joint ventures and technology transfers. Taiwan needs to invest now in production capacity that can scale rapidly during a crisis, when resupplying the island will be enormously difficult, and to do so it needs American support.⁸³

At the same time, the United States must make clear to China that it has no revisionist aspirations in the strait. This means reiterating to Beijing that Washington does not support formal Taiwanese independence, that it maintains its "one China" policy, and that it would support any resolution of the conflict that enjoys the consent of the Taiwanese people.⁸⁴

The military difficulty entailed by an amphibious invasion, Taiwan's defensive advantages, and American superiority in submarine warfare continue to operate in Washington's favor. But none of these advantages is sufficient if the United States' partners, and above all Taiwan, doubt that Washington is prepared to make use of them. As this article has shown, Beijing does not need to win a war to advance towards reunification: it is enough to convince the relevant actors that the American commitment is negotiable. Reversing that perception is, in the final analysis, the most urgent and complicated task.

That credibility, however, cannot rest solely on political and military commitments. As was demonstrated during the 2025 trade war, the structural dependence of the United States on Chinese rare earth exports is a lever Beijing can activate to limit Western response capacity at any moment of tension, including a crisis in the strait.⁸⁵

⁸³ Richard Haass and David Sacks, "China Could Win Taiwan Without Fighting: The Cost of Trump's Equivocation," *Foreign Affairs*, June 22, 2026, <https://www.foreignaffairs.com/taiwan/china-could-win-taiwan-without-fighting>.

⁸⁴ Ibid.

⁸⁵ Gracelin Baskaran and Meredith Schwartz, *Rare Earth Export Restrictions One Year Later* (Washington, DC: Center for Strategic and International Studies, 2026), 6,

Washington has begun to react. The Trump administration has committed more than 7.3 billion dollars to accelerating mining, processing, and permanent magnet manufacturing within the United States and among its allies,⁸⁶ and the Department of Defense has established that its manufacturers must cease using rare earth materials of Chinese origin before January 1, 2027.⁸⁷ However, the alternative productive capacity will hardly be ready to meet that deadline: domestic production at Mountain Pass reached its greatest volumes in decades in 2025, but covers only one third of national consumption.⁸⁸

The urgency of accelerating that process goes beyond supply chain security. As the 2025 trade war itself demonstrated, while that dependence persists, Washington's capacity to deploy its own economic instruments, tariffs, sanctions, export controls, will be systematically constrained by the risk of Chinese retaliation in rare earths. Eliminating that vulnerability is not merely an industrial matter: it is a condition for Western economic counter-coercion to be credible.

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<https://www.csis.org/analysis/rare-earth-export-restrictions-one-year-later>.

⁸⁶ Ibid, p. 2.

⁸⁷ Ibid, p. 6.

⁸⁸ Ibid, p. 5.