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Where the Atlantic Meets the Indo-Pacific

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Introduction

Since the Obama administration began its "pivot" (or "rebalance") in the early 2010s, there has been a tendency to contrast Europe, the older US foreign policy priority, with Asia, and specifically the People's Republic of China as the newer, and more important theater. Russia's invasion of Ukraine, and fears of additional aggression Moscow might commit if Ukraine were to fall, have shifted some attention back to Europe, but Russia remains a "no limits" partner of the PRC.

In reality, while the PRC's growth—in economic, technological, and military terms—is the defining story of international relations in the 21st century, Europe remains a vital player as well. Though on opposite sides of Eurasia, Europe and China's interactions continue, with Beijing continuing to desire Brussels as a partner but Europe's view of the PRC generally remaining more guarded.

This volume explores complicated security dilemmas on both sides of Eurasia. In this lead paper for this volume, Pacific Forum Senior Adjunct Fellow William Alberque, the former director of NATO's Arms Control, Disarmament, and Non-Proliferation Centre, interprets China's "no first use" stance on nuclear weapons as a cynical branding maneuver designed to deflect criticism of its nuclear program, and warns that Beijing's behavior is inconsistent with that of a country with a true NFU policy. RUSI Associate Fellow Dr. Sari Arho Havrén further notes, in her chapter, that the increased (and sometimes destructive) Chinese presence in the Baltic Sea means that the PRC and Russia pose a threat, not just to NATO, but the agency of smaller states. Elsewhere Martijn Cornelissen, nonresident WSD-Handa Fellow at Pacific Forum, advises that, as the US pressures EU countries like the Netherlands to diversify away from China in meeting their semiconductor needs, it behooves them to forge deeper relationships with the PRC's Northeast Asian neighbors of Japan and South Korea.

The tech cooperation theme continues in the chapter by Nonresident Handa Fellow Joon Sung Lee, and his discussion of deepening US-East Asia semiconductor cooperation, as well as in Nonresident Vasey Fellow Oorja Tapan's discussion of US-India cooperation as a way of limiting PRC influence. Discussions of enhanced bilateral alignment are not limited to the tech and economy domains: Nonresident Handa Fellow Thomas Shattuck

also discusses the limitations of the Taiwan-Philippines bilateral, despite their shared concerns over PRC behavior, and how they can best navigate their "unofficial" relationship status.

Finally, Ziyi Yan of Princeton University notes how the PRC's declarations of "A Global Community of Shared Future," while consistent with declarations since its rapprochement with the US in the mid-1970s, have gradually come to be seen, especially in the US, as a plan to overthrow the global order and supplant Washington. While pointing to ways that Beijing's rhetoric and actions have fed into this growing suspicion, she advised the US to learn more of how China sees itself, outside of Western-imposed IR frameworks, and also to set is own vision for the global order, rather than reacting to the PRC's outlook.

A more proactive US vision, one that takes into account how Indo-Pacific *and* Atlantic perspectives, would benefit both sides of Eurasia.

Rob York

Director for Regional Affairs

Pacific Forum

1

China and No First Use: Distract, Deny, Delay

Why China's No First Use Treaty Proposal is Cynical and Dangerous

William Alberque

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China and No First Use: Distract, Deny, Delay

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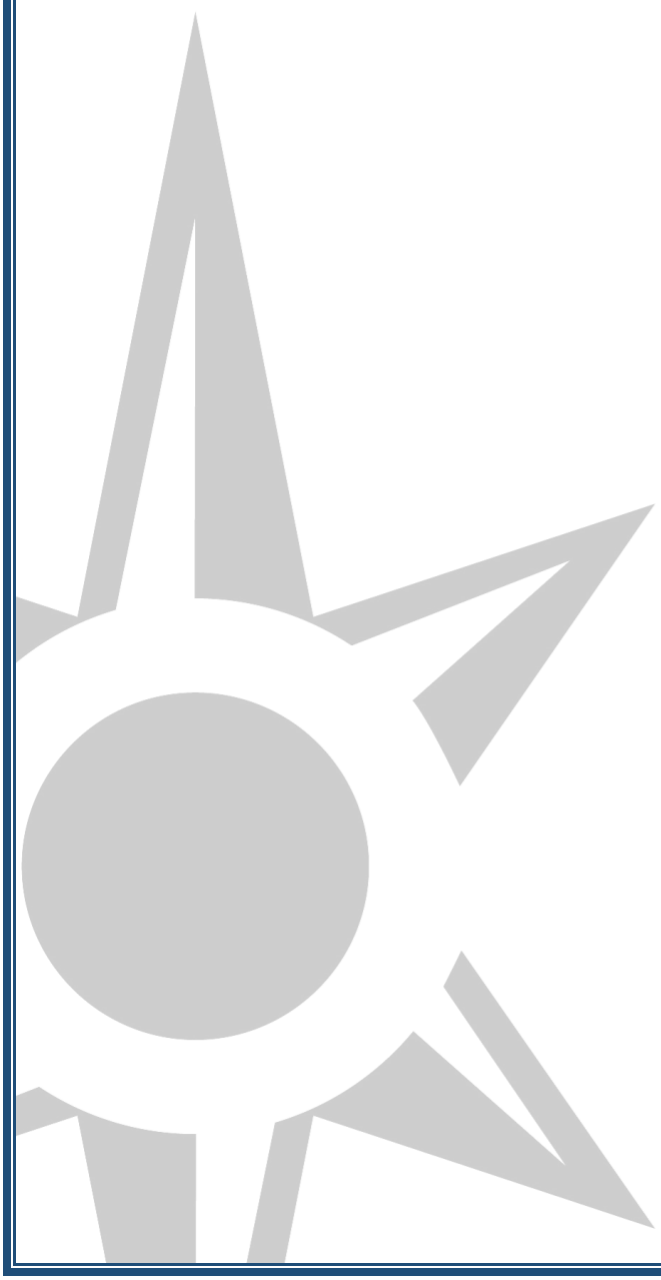

Executive Summary

William Alberque

China is advancing a proposal for a treaty on the "No First Use" of nuclear weapons. This proposal sounds reasonable at first glance—nuclear weapon states could pledge that they would never be the first to use nuclear weapons, thus making the world safer from nuclear war and taking the moral "high ground." China is advocating for a politically binding agreement or legally-binding treaty to be negotiated among the five Nuclear Weapon States (NWS) as defined by the Nuclear Non-Proliferation Treaty of 1970 (NPT).

However, China's proposal is not all that it seems. The proposal does not address all nuclear weapons states—that is, the nuclear-armed NPT non-parties. Nor does it address the core purpose of deterrence—to prevent an adversary from attacking for fear of consequences that would outweigh any potential benefits of such an attack. By forgoing the possibility of first nuclear use, conventionally stronger states may be tempted to attack, knowing they can prevail without fearing nuclear consequences.

In addition, China's proposal is founded on cynicism—seeking to distract from China's massive and rapid nuclear buildup, to deny any need for China to engage in nuclear arms control or transparency, and to delay any coordinated response to its buildup by claiming to be a responsible nuclear power. China has a long-established history of advancing its NFU proposal to distract from key moments in the evolution of its nuclear arsenal. China first announced its own national NFU policy in 1964 to deflect criticism of its sudden abandonment of the claim that it would not seek nuclear weapons. It then sought to advance an NFU agreement in 1994 to distract from its refusal to join the NWS in a nuclear testing moratorium, instead twice conducting tests that disrupted sensitive global arms control talks. And China's latest NFU initiative is meant to delay a reaction from the world to its massive nuclear buildup over the past five years.

If the US joins in any such NFU pledge, China may feel more emboldened to initiate a conflict that could involve the United States, such as a war over Taiwan. Russia would welcome an abandonment by the United States of its pledge to use any and all necessary force to defend its NATO Allies, and North Korea may become far more aggressive if it knows that it need not fear a nuclear response to restarting hostilities against South Korea. Deterrence between India and Pakistan also could be disrupted if Pakistan were to forgo the potential for first use in the face of Indian conventional superiority. Even Belarus might balk at a declaration of NFU by Russia considering their nuclear sharing arrangements. Thus, a wider adoption of NFU by states could increase instability and raise the risk of war.

In short, China's NFU proposal is quite rightly seen by the other four NWS as a non-starter, and states should instead insist that China undertake other measures that it has long avoided—such as decreasing threats against its neighbors, increasing the transparency of its nuclear arsenal and engaging in arms control in a meaningful way.

Introduction

On Jul. 12 , 2024, the Chinese government submitted a working paper to the Non-Proliferation Treaty (NPT) Preparatory Committee, outlining its "No-first-use of Nuclear Weapons Initiative." The paper sets out China's No First Use (NFU) policy, and calls on the other treaty-defined Nuclear Weapon States (NWS: China, the US, UK, France, and Russia) to "negotiate and conclude a treaty on the mutual no-first-use of nuclear weapons or issue a political statement in this regard."[1]

On Jul. 23, China's MFA reprinted the NFU Working Paper on its website.[2] Then, on Oct. 16 , 2024, Chinese spokesperson Mao Ning answered a question about the proposal at a press conference, repeating China's main messages: that NFU is an important part of nuclear disarmament and that China is ready to negotiate the proposal with the other NPT parties.[3]

The Chinese Working Paper includes a brief draft treaty text for consideration and the rationale for the other NWS to adopt such a measure. China's effort is highly unlikely to advance due to three main factors: 1) the disingenuous nature of the Chinese proposal; 2) the inherent contradictions within China's proposal; and 3) the flaws of NFU declaratory policies in maintaining deterrence.

China's proposal builds on its initial declaration of NFU in 1964, which was made to distract from its first nuclear test. China turned its NFU declaration into a draft treaty in 1994 to distract from its ongoing nuclear testing. China made this most recent proposal to distract from its current nuclear buildup– a build-up that it denies is happening– while falsely claiming that recent shifts in the US posture in Asia have become more aggressive and dangerous since 1994.

China and NFU: A Disingenuous Offer

China joined the nuclear "club" by testing its first nuclear device on 16 October 1964, immediately seeking to deflect by releasing a statement that said, in part:

> "The Chinese Government hereby solemnly declares that China will never at any time and under any circumstances be the first to use nuclear weapons," and calling for nuclear states to agree to negotiate a treaty "to use nuclear weapons, neither to use them against non-nuclear countries and nuclear-free zones, nor against each other."[4]

This statement makes up the core of China's NFU policy. Thirty years later, China circulated a draft treaty in 1994 to the other 4 NWS (China did not make the draft available to the public) and has intermittently raised the topic in the NPT subsequently, culminating in the 2024 draft shared with all NPT parties and the public.

China's initial declaration of NFU was a response in part to distract from the outrage that met China's first nuclear test. China was a leading voice against nuclear weapons acquisition and use, raising complaints about the initial US monopoly on nuclear weapons from the dawn of the atomic age. It further claimed that US nuclear weapons were a source of threats against China and against all of "the free people of the world,"[5] contrasting its own claim to be a source of peace and reflective of its own strategic advantage in geographic location, size, and population.

In 1946, China's leader, Mao Zedong had claimed that nuclear weapons are "a paper tiger which the US reactionaries use to scare people,"[6] prior to a series of crises where China increasingly feared the US might contemplate nuclear use, including Quemoy and Matsu, the First Taiwan Strait Crisis, and the Korean

[1] "No-first-use of Nuclear Weapons Initiative," Working Paper, submitted by China, Preparatory Committee for the 2026 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons, NPT/CONF.2026/PC.II/WP.33, Jul. 12, 2024, https://docs-library.unoda.org/Treaty_on_the_Non-Proliferation_of_Nuclear_Weapons_-Preparatory_Committee_for_the_Eleventh_Review_ConferenceSecond_session_(2024)/NPT_CONF.2026_PC.II_WP.33_-_33._ADVANCE_UNEDITED_VERSION_-_China_-_No-first-use_of_Nuclear_Weapons_Initiative-_ENG.pdf

[2] "No-first-use of Nuclear Weapons," MFA News, Ministry of Foreign Affairs, the People's Republic of China, Jul. 23, 2024, https://www.mfa.gov.cn/eng/xw/wjbxw/202407/t20240723_11458632.html

[3] "Foreign Ministry Spokesperson Mao Ning's Regular Press Conference on October 16, 2024," Spokesperson of the Foreign Ministry, Embassy of the Chinese People's Republic to Germany, Oct. 16, 2024, http://de.china-embassy.gov.cn/det/fyrth/202410/t20241016_11508473.htm

[4] "Statement of the Government of the People's Republic of China," Oct. 16, 1964, Wilson Center Digital Archive, PRC FMA 105-01262-01, 22-26, https://digitalarchive.wilsoncenter.org/document/statement-government-peoples-republic-china

[5] "Statement of the Government of the People's Republic of China," ibid.

[6] Mao Zedong, August 1946, as quoted in John Lewis and Xue Litai, China Builds the Bomb, Standford University Press, Standford, California, 1988, p. 6.

War. On Jan. 15, 1955, China made the formal decision to acquire nuclear weapons, but kept this decision secret until its first nuclear test.[7] A mere two weeks after the decision to build nuclear weapons, Mao told the incoming Finnish ambassador to Beijing that the US "cannot annihilate the Chinese nation with its small stack of atomic bombs," going on to claim that, even without nuclear weapons China is still "sure to emerge the victor"[8] in a war with the US.

Once China acquired nuclear weapons, it claimed that it would be better able to lead the "oppressed nations" of the world against the threat from the US nuclear arsenal. This claim, combined with its initial NFU declaration, reflected China's attempt to deflect the inevitable criticism of its crossing of the nuclear threshold. China's NFU policy was combined with a "minimum credible deterrent" posture (MCD), claiming to be a responsible nuclear power that would not engage in nuclear arms racing. It also refused to provide any transparency over its number of nuclear warheads or any other aspect of its nuclear weapons program. China's MCD stance without any transparency maximizes ambiguity over its exact nuclear posture, and is intended to create strategic stability with the US and USSR despite the disparity between their larger nuclear arsenals and China's relatively small stockpile.[9] MCD was in fact a practical decision, seeing as the US was approaching the peak of its nuclear arsenal, with more than 30,000 warheads in 1964 (peaking at 31,255 in 1967),[10] and the USSR had approximately 5,000 on its way to a peak of 40,159 in 1986.[11] In addition, China throughout the Cold War maintained the simplest survivable nuclear force posture for its time, building a land-based liquid-fueled intercontinental missile arsenal. It did not pursue an air or sea-launched leg for its strategic arsenal, nor did it build a diverse set of non-strategic nuclear weapons like the US and USSR. China instead emphasized that its nuclear stockpile consisted of "a certain quantity, quality, and variety."[12]

NFU and MCD were parts of a viable Chinese nuclear strategy in part due to the size, geographic location, and strategic depth provided by such a large and populous country. China's acceptance of casualties in wartime is remarkable, including the unspeakable levels of loss it incurred during its intervention in the Korean War. China received direct assistance from the USSR beginning in 1955 in acquiring its nuclear weapons arsenal and long-range missiles. This was before the Sino-Soviet split, which began in the early 1960s, culminating in a brief border war in 1969. The early onset of the Sino-Soviet split helped to sour the USSR leadership from aiding other countries in acquiring nuclear weapons and led them to consider a pre-emptive strike to destroy the Chinese nuclear arsenal. However, the USSR decided instead to work with the United States to negotiate an effective NPT Treaty.[13] Russia itself formally abandoned the 1982 Soviet NFU policy (which itself was deeply cynical) in 1993.[14]

The Chinese NFU pledge resurfaced in 1994 for political reasons. China had refused to sign the NPT from 1970 until March 1992, only agreeing to sign under sustained global pressure. China also refused to join the moratorium on nuclear testing announced by the USSR, the US, the UK, and France (and Russia at the time) by the end of 1992.[15] Instead, China conducted ten nuclear tests after the end of the Cold War, including a test just one day after the end of the 1995 NPT Review Conference, and another in the middle of negotiations on the Comprehensive Test Ban Treaty.[16] Therefore, China's initial NFU declaration in 1964 and subsequent 1994 effort to promote an NFU Treaty can be seen as exercises in public relations, aimed at countering the criticism – especially in Asia – of China's behavior.

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[7] China Builds the Bomb, ibid, p. 38.

[8] Mao Zedong, "The Chinese People Cannot Be Cowed by the Atom Bomb," from the Selected Works of Mao-Tse-tung, Maoist Documentation Project, Jan. 28, 1955, https://www.marxists.org/reference/archive/mao/selected-works/volume-5/mswv5_40.htm

[9] Zhou Enlai, October 1970, as quoted in Pan Zhenqiang, "China's No First Use of Nuclear Weapons," Understanding: Chinese Nuclear Thinking, Li Bin and Tong Zhao (eds.), Carnegie Endowment for International Peace, 2016, pp. 51-78, https://www.jstor.org/stable/f5c2b5cf-8e92-3b7c-b210-881e4c6f1a04

[10] "Transparency in the US Nuclear Weapons Stockpile," Factsheet, US Department of Energy, Jul, 22, 2024, https://www.energy.gov/sites/default/files/2024-08/U.S.%20Nuclear%20Weapons%20Stockpile%20Transparency%207_22_24.pdf

[11] Hans Kristensen, et al, "Estimated Global Nuclear Warhead Stockpiles 1945-2024," Federation of American Scientists, updated Jul. 13, 2024, https://fas.org/initiative/status-world-nuclear-forces/

[12] "China's No First Use of Nuclear Weapons," ibid.

[13] William Alberque, "The NPT Treaty and the origins of NATO's nuclear sharing arrangements," Proliferation Paper 57, Paris: ifri Security Studies Centre, Feb. 2017.

[14] Serge Schmemann, "Russia Drops Pledge of No First Use of Atom Arms," *New York Times*, Nov. 4, 1993, https://timesmachine.nytimes.com/timesmachine/1993/11/04/672893.html

[15] Robert Sherman, "Comprehensive Test Ban Treaty Chronology," Federation of American Scientists, 2001, https://nuke.fas.org/control/ctbt/chron.htm

[16] "Nuclear Testing and Comprehensive Test Ban Treaty Timeline," Fact Sheets and Briefs, Arms Control Association, Apr. 2025, https://www.armscontrol.org/factsheets/nuclear-testing-and-comprehensive-test-ban-treaty-ctbt-timeline

China and NFU–Inherent Contradictions

China claims that NFU is a practical step to implement Article VI of the NPT and will promote nuclear disarmament.[17] It will not, because such a doctrine only has meaning if the country declaring it reflects that doctrine in its nuclear posture, deployments, exercises, and statements. While China's claims to an NFU policy were at least plausible in the past, it has lately pursued a nuclear posture that is inconsistent with NFU.

China has consistently refused any transparency over its nuclear arsenal – especially in the NPT processes[18] – and is weaponizing the lack of clarity to obscure the size and deployment locations of its nuclear arsenal to amplify its deterrent effect. China refuses to engage in nuclear arms control with the US or Russia, [19] claiming its arsenal is too small to necessitate engagement. China claims that the US and Russia "should further drastically reduce their nuclear arsenals," and even then, that China will only engage in multilateral nuclear arms control "when conditions are appropriate."[20] At the same time as it refuses transparency and arms control, it also refuses to engage in risk reduction talks, instead using risk to intimidate other countries–for instance by ramming ships in the South China Sea, seizing islands claimed by other states, or building artificial islands to assert de facto control of disputed waters.

China is the only NPT nuclear weapon state that has not declared a halt to its production of fissile material for weapons. The US, France, UK, and Russia all stopped such production and have eliminated some excess fissile material, while China has refused to disclose its fissile material production for weapons purposes or any information about its stocks. [21] Instead, China is currently engaged in a massive nuclear expansion, including increasing its fissile material production capacity with plutonium production reactors, building hundreds of missile silos, and building more than a thousand intercontinental ballistic and submarine launched missiles, as well as untold numbers of dual-capable intermediate range missiles, including anti-ship cruise missiles. While China claims these changes are due to an increasingly hostile United States and dangerous East Asian security environment, the security conditions there are far more benign now than during the Cold War, when the superpowers held stockpiles more than ten times larger than their current holdings, proxy wars raged throughout the region, thousands of US nuclear weapons were based in Taiwan, South Korea, and Japan (and dozens of UK nuclear weapons were in Singapore),[22] and the US and USSR regularly traversed the region with nuclear weapons on surface vessels.

The modernization of China's intercontinental ballistic missile arsenal is reasonable given the age and antiquated technology displayed by its previous generation of liquid-fueled ICBMs. However, the scale of the current expansion of China's nuclear arsenal now contradicts China's NFU and MCD posture. This expansion also negates much of the reasoning previously used to excuse its lack of transparency.[23] Submarine-launched nuclear-armed ballistic and cruise missiles are useful in providing a survivable second-strike capability. However, they also are useful for conducting first strikes– for instance, by stealthily approaching and launching their missiles from just a few miles off the coast of their target.[24] China also is building nuclear-capable missiles to be delivered by heavy bombers, tested a fractional orbital bombardment system (FOBS) in 2021, [25] and is developing a launch-on-warning capability for its nuclear forces, all of which are consistent with providing strike options that go beyond NFU.[26] China's anti-ship cruise missiles also

[17] "No-first-use of Nuclear Weapons Initiative," ibid.
[18] Paul Meyer, et al, "Why the NPT needs more transparency by the nuclear weapon states," Bulletin of the Atomic Scientists, Apr. 8 2015, https://thebulletin.org/2015/04/why-the-npt-needs-more-transparency-by-the-nuclear-weapon-states/
[19] David Santoro, "Getting Past No: Developing a Nuclear Arms Control Relationship with China," Journal for Peace and Nuclear Disarmament, Volume 6, Issue 1, Jun 13, 2023, https://www.tandfonline.com/doi/full/10.1080/25751654.2023.2221830
[20] "China's National Defense in 2010," White Paper on Defense, Information Office of the State Council of the People's Republic of China, Mar. 31, 2011, http://www.china.org.cn/government/whitepaper/node_7114675.htm
[21] "Fissile Material Cutoff Treaty," Fact Sheet, Center for Arms Control and Non-Proliferation, May 19, 2023, https://armscontrolcenter.org/fact-sheet-fissile-material-cutoff-treaty-fmct/
[22] Richard Moore, "Where Her Majesty's Weapons Were,"' Bulletin of the Atomic Scientists, Volume 57, No. 1, July-February 2001, https://journals.sagepub.com/doi/pdf/10.2968/057001019
[23] The explanation of China's policy in "China's No First Use of Nuclear Weapons," for instance, includes the argument that China does not need "capability necessary for precision strikes," nor does it need "its nuclear forces on hair-trigger alert status," as they would be incompatible with NFU, while also arguing that China may develop these capabilities in the future without contradicting NFU.
[24] Hongjung Shin and Seong-ho Sheen, "The Evolution of China's Assured Retaliation: An Analysis Focusing on the Development of China's Strategic Nuclear Submarines," *The Korean Journal of International Studies*, Vol. 23, No. 1, Apr. 2025, pp., 61-98.
[25] Mark Zastrow, "How does China's hypersonic glide vehicle work?" *Astronomy*, Nov. 4, 2021, https://www.astronomy.com/space-exploration/how-does-chinas-hypersonic-glide-vehicle-work/
[26] "Engaging China and Russia on Arms Control: An Interview with Assistant Secretary of State Mallory Stewart'" Arms Control Today, May

are likely intended for a first nuclear strike on US aircraft carrier groups in a conventional war scenario with Taiwan.[27]

China and NFU: On Deterrence

Adoption of NFU policies by nuclear weapon possessor states (which includes states possessing nuclear weapons that are not parties to the NPT, such as Pakistan) would undermine peace and security for three main reasons. First, no NFU declaration can ever be entirely credible or verifiable. If President Xi is faced with a conventional conflict that threatens the survival of the Chinese state (or his leadership), the viability of China's nuclear arsenal, or its ability to prevail in a Taiwan war scenario, an NFU declaration is unlikely to impede his consideration of nuclear first-strike scenarios.[28] India, the only other nuclear weapon possessor state with a declared NFU policy, openly discussed removing their NFU restriction in 2016 and 2019 in its ongoing conflict with Pakistan, further demonstrating the weakness of NFU as a security guarantee.[29]

Second, NFU advantages a nuclear possessor state in conventional conflicts where they believe they can prevail at the conventional level without resorting to nuclear weapons. In other words, there are cases where a stronger state is only deterred from starting a war because of the fear of nuclear use by the weaker state, and therefore is able to act more aggressively because it does not fear the smaller state's conventional arsenal. In such a case, the declaration of NFU by the weaker state would encourage the stronger state to initiate a conventional surprise attack, knowing it was safe from any threat of nuclear retaliation.

For instance, in the Cold War, the Soviets had a huge advantage in numbers of conventional weapons over NATO in Europe and therefore sought to convince NATO to forgo nuclear weapons or to sow doubt about US nuclear security guarantees so that the USSR could prevail in a conflict without NATO being able to defend itself with nuclear weapons. NATO, in turn, relied on the potential for nuclear weapons in a first strike precisely to deter the Soviets from attacking and believing it could prevail over NATO without massive nuclear strikes. Thus, the threat of first use prevented the Soviets from initiating general war against NATO. This strategy is still in play today, where Russian aggression against NATO continues to be deterred by a mixture of conventional capabilities and NATO's threat to use nuclear weapons first if Russia were to seize and hold NATO territory.

Forgoing the potential first use of nuclear weapons would have encouraged Soviet risk-taking and a potential surprise attack to defeat NATO, plunging the world into war. South Korea previously relied on the potential for US first nuclear use to deter North Korea, which had a conventional advantage over South Korea and could destroy Seoul with conventional artillery from the border. Thus, South Korea relied upon the threat of US nuclear first use to deter North Korea. Today, these threats are offset in part by South Korea's robust conventional counterforce capabilities, but the US nuclear guarantee remains an important part of South Korean security.

French doctrine includes the use of a single demonstration strike–a final warning–and thus, a first nuclear use, to dissuade a larger state such as Russia or China from strategic attacks.[30] Pakistan also relies on the possible first use of nuclear weapons in a potential conflict with India due to India's overwhelming preponderance in conventional weapons, manpower, and geographic advantage–namely, the proximity of Islamabad to a potential front line with India. Finally, in a war with Taiwan, China likely believes that it can prevail at the conventional level– that it can bring tremendous resources with very short logistic lines and win in a relatively short period of time. In that case, the potential for US engagement, including potentially with nuclear weapons, is a strong deterrent against China initiating a conflict.

2024, https://www.armscontrol.org/act/2024-05/interviews/engaging-china-and-russia-arms-control-interview-us-assistant-secretary

[27] Zuzanna Gwadera, "Intelligence leak reveals China's successful test of a new hypersonic missile," Online Analysis, IISS, May 18, 2023, https://www.iiss.org/online-analysis/online-analysis/2023/05/intelligence-leak-reveals-chinas-successful-test-of-a-new-hypersonic-missile/

[28] "Military and Security Developments Involving the People's Republic of China 2024," Annual Report to Congress, US Department of Defense, Washington, Dec. 18, 2024, p. 102, https://media.defense.gov/2024/Dec/18/2003615520/-1/-1/0/MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2024.PDF

[29] Hans Kirstensen, et al, "Indian nuclear weapons, 2024," Bulletin of the Atomic Scientists, Vol. 80, No.5, 2024, https://www.tandfonline.com/doi/epdf/10.1080/00963402.2024.2388470?needAccess=true

[30] "Speech of the President of the Republic on Defense and Deterrence Strategy," Speech at the Ecole de Guerre, Website of the President of France, Feb. 7, 2020, https://www.elysee.fr/front/pdf/elysee-module-15162-en.pdf

In each of these cases, an NFU declaration by the US, NATO, or Pakistan could lead to overconfidence by Russia, North Korea, or India that it could initiate and prevail in a conventional war without paying the penalty of nuclear retaliation and thus risking the outbreak of war with horrifying global consequences. In each case, the possibility of first use has maintained peace for decades.[31]

Third, the other four NPT nuclear weapon states (US, UK, France, and Russia) each reserve the right to nuclear first use in the case of responding to a large-scale attack using other weapons of mass destruction, such as chemical or biological weapons. Within customary international law, there is a concept known as belligerent reprisal, which allows a state that has been attacked with mass loss of life to respond against the perpetrator in a way that is proportionate and militarily necessary, that discriminates between civilian and military targets, and that avoids unnecessary suffering. [32] Such response is not restricted to "tit-for-tat" retaliation, and does not require a response in the same way as attacked. [33] For instance, if Russia attacked France with a large-scale chemical weapon attack that killed thousands (and if repeated, continued, or ongoing chemical weapon attacks were anticipated), France would have the right to respond with a limited nuclear strike, if such an attack was calibrated regarding proportionality, fallout, and other effects. Thus, No First Use policies could encourage states to seek weapons of mass destruction other than nuclear weapons, knowing they would be free of any nuclear retaliation for using or threatening to use them.[34]

Conclusion: China's NFU Pledge is a Distraction

China's NFU pledge lacks credibility. Just like deterrence policy, faith in China's pledge rests upon the perception of China's intent and capabilities, and in both cases, China has long ceased behaving like a state that has an NFU policy. [35] As this paper has shown, China's 2024 proposal for an NFU treaty or pledge from the other NPT NWS (or non-NPT nuclear weapon states) is unworkable, unsound, and unsafe.

China is making this call for a renewed effort for broader adoption of NFU at a time when global attention is increasing on both China's massive expansion of its nuclear arsenal, far beyond NFU and MCD, and its refusal to engage in nuclear transparency, arms control, or restraint on the production of fissile material. China seeks to deny that it is deep into its own nuclear arms race, distract from its refusal to engage diplomatically, and delay other countries' responses to China's nuclear sprint. This was also the case in 1964 when China initially declared NFU to diffuse global anger at the hypocrisy of the first Chinese nuclear test, and in 1994 at China's resumption of post-Cold War nuclear testing.

If China wants to advance nuclear disarmament, as it states in its proposal, it should take the following steps:

1) Declare its nuclear warhead totals or planned ceiling for its current buildup.
2) Declare how many strategic weapons and the mixture of related air, land, and sea-launched systems it intends to build in its current massive expansion.
3) Join the other NPT NWS in forswearing the further production of fissile material.
4) Accept the US offer for nuclear arms control talks, preferably including Russia.
5) Stop acting aggressively towards its neighbors to the West, South, and East, including halting harassment operations against freedom of navigation missions and respecting international law in the Taiwan Strait and the South China Sea.

Instead, China's NFU proposal seeks to disadvantage others while allowing it to increase pressure and risk on its neighbors– even risking war– without the risk of massive retaliation. It further seeks to undermine the extended nuclear security guarantees that have reduced nuclear proliferation and prevented general war for 80 years.

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[31] William Chambers, Caroline Milne, et al, "No-First Use of Nuclear Weapons: A Policy Assessment," IDA Paper 20513, Institute for Defense Studies, Jan. 2021, https://www.ida.org/-/media/feature/publications/n/no/no-first-use-of-nuclear-weapons-a-policy-assessment/p-20513.ashx

[32] "Law of Armed Conflict Standard Training Package," The Judge Advocate General's Legal Center and School, US Army, Oct. 21, 2024, https://tjaglcs.army.mil/Portals/0/Resources/STPs/ADN/Law%20of%20Armed%20Conflict%20(LOAC)%20(OCT%2024).pptx

[33] David Gompert, Kenneth Watman, and Dean Wilkening, "US Nuclear Declaratory Policy: The Question of First Nuclear Use," RAND, 1995, https://www.rand.org/pubs/monograph_reports/MR596.html

[34] "US Nuclear Declaratory Policy," ibid.

[35] Caitlin Talmadge, Lisa Michelini, and Vipin, Narang, "When Actions Speak Louder than Words: Adversary Perceptions of Nuclear No-First-Use Pledges," International Security, Vol. 48, No. 4, Spring 2024, https://direct.mit.edu/isec/article/48/4/7/121305/When-Actions-Speak-Louder-Than-Words-Adversary

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"Behind Russia, There is More and More China" — Bipolarization of the World in Progress in the Baltic Sea

Dr. Sari Arho Havrén

PACIFIC FORUM
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By
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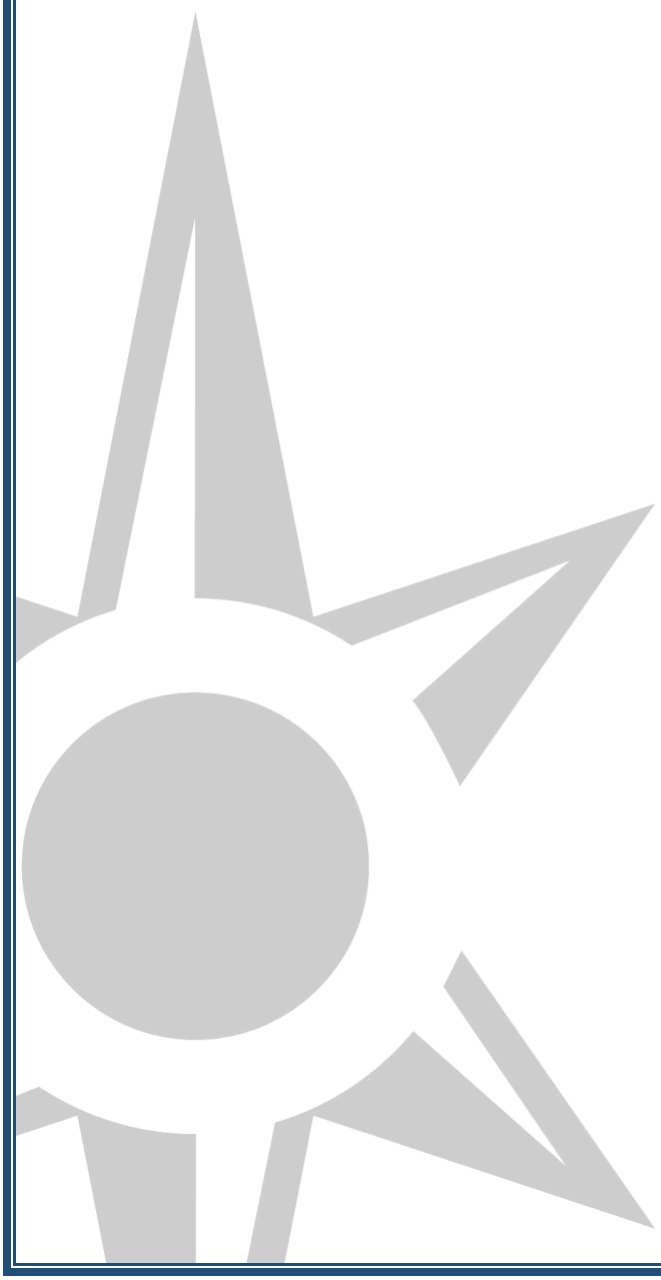

Executive Summary

Dr. Sari Arho Havrén

In the shadow of Russia's aggressive war in Ukraine, the Baltic Sea has emerged as a volatile arena of hybrid influence, where NATO's encirclement—bolstered by Finland's and Sweden's swift accession to the alliance—clashes with an intensifying Russia-China axis. This research piece examines the escalating bipolarization of global powers, highlighting China's potential covert role in sabotage operations that threaten Western resilience and unity. From the deliberate anchor-dragging by Chinese vessels, such as the Newnew Polar Bear and Yi Peng 3, which severed critical undersea cables and pipelines, to the seizure of the Vezhen, these incidents reveal a pattern of deniable aggression aimed at destabilising NATO's newest members while testing the alliance's resolve.

At its core, the analysis uncovers how Russia's and China's shared vision of "indivisible security" justifies their collaborative tactics, echoing narratives that undermine the sovereignty of smaller nations. Beijing's amplification of Moscow's disinformation, coupled with its "Three Warfares" strategy—blending psychological disruption, public opinion manipulation, and legal exploitation—positions China not merely as an economic partner but as a strategic enabler in gray-zone warfare. As European leaders grapple with responses, from enhanced surveillance and national laws authorizing vessel seizures to diplomatic pressures on Beijing, the piece warns of broader ramifications: a distracted West, eroded public trust, and opportunities for autocrats to reshape global order.

This analysis presents the High North as a microcosm of emerging multipolarity and a move towards bipolarization between the China-Russia-led bloc and fragile Western alliances, where lessons learned from hybrid threats in one region may indicate conflicts in other contested waters, such as the Taiwan Strait.

Introduction

The Baltic Sea, now largely encircled by North Atlantic Treaty Organization (NATO) member states, has become a focal point of geopolitical tension as the region has witnessed a series of hybrid warfare activities in recent years. The region has therefore become a microcosm of the broader strategic contest between major global powers. Significantly, Chinese vessels have been implicated in these activities, raising questions about China's motivations and the extent of its coordination with Russia. By examining China's actions and motivations, we can gain insights into the evolving nature of major power relations and the challenges that lie ahead.

After Russia launched its unprovoked war of aggression against Ukraine in 2022, non-NATO countries, namely Finland and Sweden, were alarmed by the increased Russian threat to their national security. While both countries have been historically known for their neutrality, public support[1] in Finland, which shares a 1,340 km border with Russia, for joining NATO changed literally overnight, eventually rising to unprecedented levels. Finland joined NATO in April 2023, and, roughly eight months after joining the alliance, support for the membership remains high, with 82% of Finns in favor of membership.[2] Sweden joined NATO a year after Finland. Consequently, the Baltic Sea became ringed by NATO coastal states, apart from Russia, in the far end of the Gulf of Finland with a base in Kaliningrad.

The root cause of Russia's war against Ukraine has become a battle of narratives. Russian narratives including disinformation,[3] echoed particularly by China, argue that the root cause for Russia's invasion of Ukraine was NATO's expansion.[4] This argument has been defended for instance by international relations theorist John Mearsheimer.[5] Several research sources[6] as well as NATO itself, have countered these arguments:

> "NATO does not seek confrontation and poses no threat to Russia. The Alliance will continue to respond to Russian threats and actions in a united and responsible way. We are strengthening our deterrence and defense, supporting our partners, and enhancing our resilience. This includes calling out Russia's actions and countering disinformation."[7]

In fact, Finland's and Sweden's NATO applications, following quickly after Russia's invasion of Ukraine, typify how sovereign countries close to Russia seek security guarantees against Russian expansion.[8] The Russian and Chinese positions, in contrast, tend to ignore the agency of small nations, whose destiny is seen as falling into indivisible security spheres of great powers.[9] Multiple researchers, such as historian Timothy Snyder, argue that Russia's invasion of Ukraine is a colonial war, with roots in Russian imperialism.[10]

During Russia's war in Ukraine, and after Finland's and Sweden's NATO memberships, the Baltic Sea has become a side stage of the war in Ukraine, where the bipolarisation of the world is on display. Tensions have increased to the extent that the Swedish Prime Minister, Kristersson, said in mid-January 2025 that "*we are not in a war but not in peace either*,"[11] and the Finnish Prime Minister, Orpo, warned in a Finnish

[1] Tolkki Kristiina, "Vahva enemmistö tukee NATO-jäsenyyttä," YLE. Dec. 21, 2023. https://yle.fi/a/74-20065979

[2] "Poll: Backing for Nato remains high in Finland," YLENEWS. Dec. 21, 2023. https://yle.fi/a/74-20066206

[3] Repnikova Maria, "How the PRC amplifies Russian disinformation, US Department of State." Apr. 27, 2022. https://www.state.gov/briefings-foreign-press-centers/how-the-prc-amplifies-russian-disinformation/ .

[4] Yang Sheng, "China slams NATO as troublemaker at UNSC; 'peace hope for Ukraine crisis remains fragile,' "*Global Times*, Jun. 17, 2024. https://www.globaltimes.cn/page/202407/1316244.shtml

[5] "John Mearsheimer on the causes and consequences of the Ukraine war, European University Institute." Jun. 17, 2022. https://www.eui.eu/news-hub?id=john-mearsheimers-lecture-on-the-causes-and-consequences-of-the-ukraine-war

[6] "The Russian-Ukrainian War: 'NATO-Fault' Thesis Proponents Can't Explain Why it's Genocidal," Australian Institute of International Affairs. Aug. 13, 2024. https://www.internationalaffairs.org.au/australianoutlook/the-russian-ukrainian-war-nato-fault-thesis-proponents-cant-explain-why-its-genocidal/

[7] "Setting the record straight, De-bunking Russian disinformation on NATO," NATO. Oct. 24, 2024. https://www.nato.int/cps/en/natohq/115204.htm

[8] Goldgeier James, "NATO Enlargement Didn't Cause Russia's Aggression," Carnegie Endowment. Jul. 31, 2023. https://carnegieendowment.org/posts/2023/07/nato-enlargement-didnt-cause-russias-aggression?lang=en

[9] "Text of the Minister of Foreign Affairs of Russia Mr. Sergey Lavrov`s written message on Indivisibility of Security addressed to the Heads of Foreign / External Affairs Ministers / Secretaries of the US, Canada and several European countries," The Ministry of Foreign Affairs of the Russian Federation. Feb. 1, 2022. https://mid.ru/en/foreign_policy/news/1796679/

[10] Bendas Christoph, "'Russia's war in Ukraine will be seen as colonial war'—interview with Timothy Snyder," LRT. Nov. 21, 2023. https://www.lrt.lt/en/news-in-english/19/2128983/russia-s-war-in-ukraine-will-be-seen-as-colonial-war-interview-with-timothy-snyder

[11] "PM Kristersson: Sweden not at war, but not at peace either," Sveriges Radio. Jan. 13, 2025. https://www.sverigesradio.se/artikel/pm-kristersson-sweden-not-at-war-but-not-at-peace-either

radio interview that it is entirely possible that Russia may test the validity and functionality of NATO Article 5 with an attack [against a NATO ally].[12] This was the first time any Finnish government minister has made such a statement.

The Baltic Sea has Become a Hybrid Hot Spot

After Finland and Sweden joined NATO, similar commentaries started to emerge from Russia[13] and China,[14] as to how the entry of both Nordic countries into NATO undermines European security and is a threat to Russian security, too.[15]

Almost as predictions to what could follow, some Chinese sources[16] anticipated that once the Baltic Sea is turned into a "NATO-lake," "it will be easier to block Russian surface ships in the Baltic Sea and monitor the Arctic." Dong Yifan, a research fellow at the China Institute of Contemporary International Relations, wrote that "Sweden's entry into NATO will intensify the confrontation between Russia and the West in the Baltic Sea region."[17]

As the war in Ukraine continues, and with the likelihood of Russian-orchestrated hybrid attacks targeting the NATO members surrounding the Baltic Sea, the "NATO-lake" has become increasingly unstable. Although it is nearly impossible to pinpoint the intent behind sabotage in gray-zone and hybrid operations, such activities started to occur in the Baltic Sea following Finland's and Sweden's accession to NATO. Both countries have also been vocal supporters of Ukraine, offering substantial military aid,[18] and thus further irritating Russia.

The alarming cable-cutting incidents in the Baltic Sea started in October 2023, when a Chinese ship Newnew Polar Bear dragged its anchor across the Balticconnector[19] gas pipeline between Finland and Estonia and eventually caused damage to the pipeline.[20] The ship's ownership's connections to Russia and the fact that it was escorted by a Russian state-owned icebreaker, raised questions about Russian involvement and possible coordination with a Chinese party.[21] In the end, Chinese authorities admitted to having caused accidental damage but have yet to pay damages that have climbed close to 40 million Euros.[22]

The damaging of the Balticconnector was followed by another incident, in November 2024, by a Chinese vessel, Yi Peng 3, which appeared to have cut two undersea fibre optic cables connecting Finland to Germany and Sweden to Lithuania. According to the Wall Street Journal, Russian intelligence instructed the captain of the Yi Peng 3 to cut the cables with the help of an anchor.[23] Only a month after, on Christmas Day, Eagle S, part of Russia's shadow fleet, engaged in cutting the Estlink 2 cable between Finland and Estonia. Mindful of the damages caused by Newnew Polar Bear and Yi Peng 3, Finnish forces boarded the vessel, which was allegedly hosting spying equipment, and commenced sabotage investigations.[24]

Soon after, the Finnish President co-hosted a NATO Summit in Helsinki where the neighbouring Baltic Sea Nato members discussed the increasingly volatile

[12] Nurmi Lauri, "Orpolta suora varoitus Venäjästä Ylellä," Iltalehti. Jan. 26, 2025. https://www.iltalehti.fi/politiikka/a/2c8373ab-80d6-4137-9d9c-a96d8307282d

[13] "Actions by Finland, Sweden pose increasing threats to Russia's security — diplomat," TASS. May 11, 2024. https://tass.com/politics/1786405

[14] "Lyu Yunmou, Sweden's NATO membership only undermines European security," China Military Online. Mar. 8, 2024. http://eng.chinamil.com.cn/OPINIONS_209196/Opinions_209197/16292272.html

[15] "Legucka Agnieszka, Russia on NATO Enlargement to Sweden and Finland," PISM. Jul. 8, 2022. https://www.pism.pl/publications/russia-on-nato-enlargement-to-sweden-and-finland

[16] Chen Xiang 瑞典加入北约，波罗的海变成"北约湖"是祸是福？*Phoenix Weekly*. Feb. 29, 2024. https://baijiahao.baidu.com/s?id=1792220150051215159&wfr=spider&for=pc

[17] Dong Yifan, "Sweden's NATO membership may further destabilize European security," CGTN. Mar. 13, 2024. http://eng.chinamil.com.cn/OPINIONS_209196/Opinions_209197/16293542.html

[18] "Ukraine Support Tracker," IFW, Kiel Institute for the World Economy. https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/

[19] Elering. https://elering.ee/en/balticconnector

[20] Media: China admits cargo ship damaged Balticconnector pipeline. YLE News, STT. Feb. 18, 2024. https://yle.fi/a/74-20104546

[21] Staalesen Atle, "Runaway ship Newnew Polar Bear, suspected of sabotage in Baltic Sea, is sailing into Russian Arctic waters," *The Barents Observer*. Oct. 26, 2023. https://www.thebarentsobserver.com/security/runaway-ship-newnew-polar-bear-suspected-of-sabotage-in-baltic-sea-is-sailing-into-russian-arctic-waters/164423

[22] "Baltic gas pipeline ruptured by Chinese ship back in service after €40m repair job." YLE News. Apr. 22, 2024. https://yle.fi/a/74-20084948

[23] "Pancevski Bojan, Brush With Russia in Baltic Points to New Flashpoint in NATO-Moscow Shadow War," *Wall Street Journal*. Dec. 15, 2024. https://www.wsj.com/world/europe/brush-with-russia-in-baltic-points-to-new-flashpoint-in-nato-moscow-shadow-war-08b5b182

[24] "Wiese Bockmann Michelle, Russia-linked cable-cutting tanker seized by Finland 'was loaded with spying equipment,'" Lloyds List. Dec. 27, 2024. https://www.lloydslist.com/LL1151955/Russia-linked-cable-cutting-tanker-seized-by-Finland-was-loaded-with-spying-equipment

security situation.[25] The participants were seeking to find common action points to respond to hybrid attacks by Russian and Chinese ships and the operators behind these attacks. In the absence of clear evidence of intent, the countries involved decided to increase surveillance on the sea by sending two NATO vessels and strengthen undersea monitoring by developing new surveillance technologies.[26] The parties also kicked off a process of how to apply and interpret maritime law in such cases. If states cannot eventually agree on how international law would allow for the seizure of vessels involved in such events, they may resort to using their own national laws collaboratively, allowing them to seize ships further out to sea.[27] There has also been consideration of increasing the maritime territories in accordance with UNCLOS perimeters, which both Finland and Estonia have refrained from claiming as their territorial waters, so as to leave a narrow passage of international water between them.

The proposals on how to tackle the hybrid attacks mainly fall into three categories. First, authorities could seize vessels that pose environmental risks, particularly older tankers prone to leaks. Second, piracy laws could be used to capture ships threatening underwater infrastructure, a practice already in place since late 2023, due to damage to essential power and internet cables. Lastly, if international law is ineffective, countries might introduce new national regulations, such as requiring Baltic Sea tankers to have approved insurers, enabling nations like Estonia and Finland to detain less-reliable vessels.[28] After all the measures at the table, Danish authorities decided to start conducting "Port State Control checks" on ships transporting Russian oil passing through the Danish straits, to make sure they comply with environment and maritime safety requirements.[29]

The reluctance by the Nordic politicians and lawmakers to apply any hasty measures relates directly to the situation in Taiwan Straits, and the fear that China would use any slightly exceptional measures to its advantage in the Taiwan Straits to pressurise Taiwan. Also, European leaders repeat the importance of abiding by international rules; to be accused of circumventing them in any way would open a pathway for autocrats to do the same.

The discussions have revealed Europe's increasing frustration, not only over suspected sabotage, but also over Russia's continued ability to ship its oil and evade Western sanctions by utilizing old ships, with a continually expanding "shadow fleet" of aging ships with myriad ownership structures and insurance. Almost 50 percent of Russia's sanctioned seaborne oil is transported through the Baltic Sea and the Gulf of Finland,[30] enabling Russia to continue its war in Ukraine. Exports of oil and gas account for about half of Russia's revenues.

In response overall to the above-mentioned strategies, Russia has threatened retaliation if the EU follows through on these proposals. Alexei Zhuravlev, the deputy chairman of Russia's parliamentary defence committee, stated that any attack on Russian carriers would be regarded as an attack on Russian territory, even if the ship is under a foreign flag. He warned that such actions could prompt retaliatory measures from Moscow, including boarding ships in the Baltic and active measures from Russia's Baltic fleet.[31]

Publicly, there were hopes that the actions by the NATO member states would send a clear message to the actors behind the sabotages.[32] However, only a month later, in January 2025, an undersea fibre optic cable connecting Latvia and Sweden was damaged. This fourth cable damage happened almost immediately after NATO had enhanced surveillance on the Baltic Sea. Swedish authorities seized Vezhen—a vessel that was sailing from Russia and is owned via various subsidiaries by the Chinese state-owned banking and financial giant ICBC.[33]

[25] "Baltic Sea security — 10 main points from the Helsinki Nato summit," YLE News. Jan. 14, 2025. https://yle.fi/a/74-20136894
[26] "Nato deploys ships to patrol the Baltic; 3 Swedish vessels to join operation," YLE News. Jan. 10, 2025. https://yle.fi/a/74-20136113
[27] "Jack Victor, Gavin Gabriel, Inside the new plan to seize Russia's shadow fleet," Politico. Feb. 10, 2025. https://www.politico.eu/article/russia-shadow-fleet-finnish-bay-snow-eagle-s-december-oil-baltic-sea-europe-waves-europe-kremlin/
[28] Ibid.
[29] "Styrket indsats for sikkerhed til søs og miljøbeskyttelse på Skagen Red," Søfartsstyrelsen. Feb. 5, 2025. https://www.soefartsstyrelsen.dk/nyheder/2025/feb/styrket-indsats-for-sikkerhed-til-soes-og-miljoebeskyttelse-paa-skagen-red
[30] "Jack Victor, Gavin Gabriel, Inside the new plan to seize Russia's shadow fleet," Politico. Feb. 10, 2025. https://www.politico.eu/article/russia-shadow-fleet-finnish-bay-snow-eagle-s-december-oil-baltic-sea-europe-waves-europe-kremlin/
[31] Telegram Channel. https://t.me/DeputatZhuravlev/11890
[32] Haura Ella, "Nato viestii vihamielisille valtioille, että uhka Itämerellä otetaan vakavasti, sanoo Hybridikeskuksen johtaja," YLE News. Jan. 7, 2025. https://yle.fi/a/74-20135345
[33] "Ship Under Investigation For Suspected Sabotage In Baltic Sea Has A Broken Anchor," Marine Insight. Jan. 28, 2025. https://www.marineinsight.com/shipping-news/ship-under-investigation-for-suspected-sabotage-in-baltic-sea-has-a-broken-anchor/#:~:text=The%20Vezhen%20is%20flagged%20in,Finnish%20news%20outlet%20Helsingin%20Sanomat.

As a result of the growing aggravation by the Baltic Sea nations, Estonia took legal action in April 2025,[34] allowing its Navy to use force against foreign ships. The Navy can now intercept, reroute, or, if necessary, sink civilian vessels. This authority extends to Estonia's maritime zone, including internal waters, territorial sea, and exclusive economic zone, as defined by international law. Russia immediately condemned these actions as "pirate-like aspirations" and provocation.[35]

This case of Vezhen is another example of how easy it is to sabotage important infrastructure and, in the absence of a smoking gun, label it as accidental. Furthermore, this, and the previous incidents, highlight not only the growing tensions and hybrid warfare activities in the Baltic Sea region but also Russia's increasing anxiety in facing the alliance of democracies in the High North.[36] Russia's actions, which appear to be backed by China, clearly intend not only to destabilise the High North, but to distract the allies' focus from Ukraine, and intimidate them by showing that Russia can cause considerable harm to critical infrastructures. This all also aims to decrease citizens' trust in the resilience of their societies and their confidence in their politicians.

Russia's and China's Security Interests Align

Newnew Polar Bear's, Yi Peng 3's, and, more recently, Chinese subsidiary-owned, Vezhen's involvement in cable-cutting incidents in the Baltic Sea have raised questions of China's role and motivation.

In a meeting hosted by the Swedish Prime Minister, Kristersson, Nordic and Baltic leaders stated that "China's growing support for Russia is hurting Beijing's relations with Europe." While the leaders avoided blaming China directly for the events in the Baltic Sea, the Finnish Prime Minister, Orpo, said, "We have seen that behind Russia there is more and more China. I am concerned. I hope they have heard Europe's message," adding, "It's not good for relations between Europe and China if they increase their support to Russia to fight against Ukraine." Estonia's Prime Minister, Michal, messaged along the same lines: "It has happened two times already. Is it really bad seamanship? We need a neutral investigation. But these kinds of incidents, plus also backing Russia [in Ukraine], this influences China's ability to have business with Europe and limits their diplomatic possibilities."[37]

China and Russia have indeed been tightening their partnership along the war in Ukraine. A number of political leaders [38] and observers alike [39] tend to downplay this relationship and see it through an economic lens, labeling Russia as China's junior partner. This characterisation of the relationship is narrow and misleading.

The ultimate tie connecting China and Russia is not solely economic, but substantially geopolitical. Both aspire to overthrow "US hegemony" and the US global order and replace it with one that keeps their regimes safe. Their first joint proposal for a new global order dates back to 1997.[40] Since then, the "no limits" partners[41] have come forward with multiple joint statements and agreements that have led to an increasingly tight relationship with close cooperation and coordination across their administrations.

In terms of military cooperation, China and Russia exhibit the characteristics of a military alliance—even though they don't have a formal NATO-like treaty.[42] They portray each other and their relationship as a model for a new era. In their recent joint declarations,

[34] Vahur Lauri, "Riigikogu gives Defense Forces broader powers for use of force at sea," ERR News. Apr. 17, 2025. https://news.err.ee/1609666931/riigikogu-gives-defense-forces-broader-powers-for-use-of-force-at-sea

[35] "Russia claims new Estonian legislation creates risks for Baltic Sea navigation," Russian Ministry for Foreign Affairs. Shipping Telegraph. Apr. 22, 2025. https://shippingtelegraph.com/maritime-insurance-news/russia-claims-new-estonian-legislation-creates-risks-for-baltic-sea-navigation/#:~:text=%E2%80%9CStarting%20from%20April%2014%2C%202025,or%20sink%20them%2C%20if%20necessary.

[36] "The Future of the High North." NATO. May 12, 2023. https://www.act.nato.int/article/the-future-of-the-high-north/

[37] Milne Richard, "China's support for Russia has hurt its relations with Europe, say Nordic and Baltic states," *Financial Times*. Nov. 28, 2024. https://www.ft.com/content/d8955b14-8698-4534-93cb-1ff268f14a00

[38] Jett Jennifer, "Xi leaves Russia with Putin firmly in the back seat of China's drive for a new global order," NBC News. Mar. 23, 2023. https://www.nbcnews.com/news/world/china-russia-xi-jinping-vladimir-putin-new-global-order-us-ukraine-rcna76268

[39] Penttilä Risto EJ, "Suomi ja Uusi Kylmä Sota," Maanpuolustuslehti. Jun. 3, 2021. https://www.maanpuolustus-lehti.fi/suomi-ja-uusi-kylma-sota/ and Long Catherine, Meet China's 'junior partner', Politico. Mar. 21, 2023. https://www.politico.com/newsletters/politico-nightly/2023/03/21/chinas-new-era-with-its-junior-partner-00088193

[40] "Letter dated 15 May 1997 from the Permanent Representatives of China and the Russian Federation to the United Nations addressed to the Secretary-General." United Nations Digital Library. 1997. https://digitallibrary.un.org/record/234074?ln=en&v=pdf#record-files-collapse-header

[41] "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development." Kremlin, President of Russia. Feb. 4, 2022. http://www.en.kremlin.ru/supplement/5770

[42] Blackwill Robert D. and Fontaine Richard, "No Limits? The China-Russia Relationship and U.S. Foreign Policy
Council on Foreign Relations." Dec. 2024. https://www.cfr.org/report/no-limits-china-russia-relationship-and-us-foreign-policy

they hint at mutual defence and security assistance, through providing support in protecting each other's vital interests, including over issues of sovereignty and territorial integrity.[43] Moreover, China and Russia, until now, have carried out joint military exercises over a hundred times.[44] The framework thus is set for wide coordination and collaboration, and it begs the question why gray zone warfare would be excluded.

Both China and Russia use the concept of indivisible security[45] to legitimise their actions, most recently in the case of Russia's invasion of Ukraine.[46] When it comes to Europe, both Xi Jinping and Vladimir Putin advocate new security infrastructure for Europe and for the Eurasian continent.

For Russia, the concept of indivisible security lies in the context that one state's security should not come at the cost of another's.[47] Russia, in other words, considers that it is entitled to build a security architecture in Europe that prevents NATO from expanding. China shares this thinking. In September 2023, the Chinese government came out with a proposal for Global Governance.[48] Prior to this, Xi Jinping had already introduced China's Global Security Initiative,[49] which works as one of the guiding pillars of engagement with China and can be found in the overall Global Governance proposal. According to Xi Jinping, the world needs a balanced, effective, and sustainable security architecture, where one's own security at the cost of others' security should not be sought, and the principle of "indivisible security should be upheld."[50]

The Russia-China Axis—An Alliance for the New Era

In light of the events in the Baltic Sea, it is logical to question why China and Russia, who have increasingly cooperated and coordinated in the military space—having exercised together over a hundred times, including staging a joint bomber exercise near Alaska, and having a cooperation agreement[51] to share and amplify each other's disinformation—would suddenly ignore the opportunity for joint hybrid operations.

And even if they would, would Russia jeopardize its war economy's lifeline with Beijing by using Chinese vessels to conduct its operations without Beijing's knowledge? This, however, raises the question—or invites speculation—over the level of coordination inside the Chinese administration. It is impossible to know whether some division of the People Liberation Army has been involved or whether someone powerful enough with the capability to order Chinese involvement was simply bribed– for instance, by the Russian GRU. Whether more such incidents will occur in the future may shed light on how far up the coordination goes within the Communist Party of China.

Despite all the legitimate questions regarding Beijing's motives of involvement, China's so-called Three Warfares Strategy[52] aligns well with hybrid warfare in the Baltic Sea, where disinformation, diplomatic threats, ambiguity, deniability, and legal gray zones are leveraged to disrupt the Western allies. While China clearly is not leading the operations, its political and logistical support for Russia in the form

[43] Совместное заявление Российской Федерации и Китайской Народной Республики об углублении отношений всеобъемлющего партнерства и стратегического взаимодействия, вступающих в новую эпоху, в контексте 75-летия установления дипломатических отношений между двумя странами, Президент Россий, May 16, 2024. http://special.kremlin.ru/supplement/6132

[44] "China-Russia Joint Military Exercises." China Power. https://chinapower.csis.org/data/china-russia-joint-military-exercises/

[45] Jakobsson André Ken, The Sino-Russian 'indivisible security' order is a direct threat to Baltic rim state sovereignty, Baltic Rim Economies. Feb. 2023. https://www.centrumbalticum.org/en/publications/baltic_rim_economies/baltic_rim_economies_2_2023_-_safety_and_security/andre_ken_jakobsson_the_sino-russian_indivisible_security_order_is_a_direct_threat_to_baltic_rim_state_sovereignty

[46] "Text of the Minister of Foreign Affairs of Russia Mr. Sergey Lavrov`s written message on Indivisibility of Security addressed to the Heads of Foreign / External Affairs Ministers / Secretaries of the US, Canada and several European countries, The Ministry of the Foreign Affairs of the Russian Federation." Feb.1, 2022. https://mid.ru/en/foreign_policy/news/1796679/

[47] "Russia Offers Vision of a New Global Security Architecture," PISM. Jul. 31, 2024. https://pism.pl/publications/russia-offers-vision-of-a-new-global-security-architecture

[48] "Proposal of the People's Republic of China on the Reform and Development of Global Governance." Ministry of Foreign Affairs, People's Republic of China. Sep. 13, 2023. https://www.mfa.gov.cn/eng/zy/gb/202405/t20240531_11367498.html

[49] "Global Security Initiative, Concept Paper." http://en.chinadiplomacy.org.cn/pdf/The_Global_Security_Initiative_Concept_Paper.pdf

[50] "Speech by Xi Jinping: Jointly Implementing the Global Security Initiative For Lasting Peace and Security of the World." Ministry of Foreign Affairs, People's Republic of China. Oct. 30, 2023. https://www.mfa.gov.cn/eng/xw/wjbxw/202405/t20240530_11343749.html

[51] "Chinese broadcasters are making inroads in Russia, but Beijing has stumbled due to a shortage of capable propagandists," Meduza. Jul. 28, 2020. https://meduza.io/en/feature/2020/07/28/it-s-so-hard-to-find-good-help

[52] Bommakanti Kartik, "China's 'Three Warfares' Strategy in Action: Implications for the Sino-India Boundary, the Arctic, and Antarctica," ORF. Feb. 7, 2024. https://www.orfonline.org/research/china-s-three-warfares-strategy-in-action-implications-for-the-sino-india-boundary-the-arctic-and-antarctica

of Chinese vessels' presence in key incidents suggests that it is at minimum passively complicit in hybrid cooperation with Russia, which falls nicely under the framework of the Three Warfares Strategy. Simultaneously, it is important to keep in mind what Peter Mattis has argued: "The 'Three Warfares' are not just a feature of the PLA doing what the militaries do to prepare the battlefield; they are expressions of the CCP's intentions and day-to-day operations."[53]

A closer analysis of the Three Warfares, which consists of public opinion warfare, psychological warfare, and legal warfare, shows that a number of these tactics have been in use in the Baltic Sea. China has actively amplified Russian narratives on the war in Ukraine, NATO expansion being the root cause of the war, and demanded new European security architecture in political speeches and through its state-controlled media.[54] Finland's and Sweden's NATO accession has been portrayed as a NATO and US provocation, rather than as a defensive action by two sovereign states. In the actual events in the Baltic Sea hybrid operations, China has officially remained silent on allegations levelled against it, while subtly promoting narratives that question any accusations and downplay China's role. All this falls well within the concept of public opinion warfare.

The actual damage to undersea cables plays into psychological warfare by sowing mistrust, uncertainty, and insecurity among NATO members. The perception that Beijing has openly stated—that the East is rising and the West is declining,[55] implying that the West is weak[56]—could now be demonstrated as true by showing that Europe is vulnerable to multi-front threats beyond Ukraine. This sounds valid even if there is no real participation, but only silent acceptance of Russia's operations under its partnership framework. Furthermore, the use of civilian vessels for hybrid operations aligns with China's strategy of using dual-use assets to create plausible deniability and therefore deepen uncertainty. The goal appears to be to erode trust in NATO's ability to protect its members and to deepen disunity among the European states over whether to dare to respond to China's possible role in the Baltic Sea incidents, considering the dependencies the countries have on China.

Finally, as addressed earlier, the cable cutting incidents have triggered the countries involved to ponder how to interpret international maritime law. China and Russia may consider the follow-up means to challenge the Western actions and to justify their activities in contested waters. The Chinese concept of *Legal Warfare* corresponds to exploiting international laws and loopholes. As with Newnew Polar Bear, China framed it as an accident, exploiting the difficulty in proving intent under international law. Were Finland, Sweden, or Estonia to expand their maritime territories, China could easily argue that these actions violate the principle of freedom of navigation under UNCLOS and/or take similar action in the South China Sea and around the waters of Taiwan.

A Resolute Collective Response—A Way Forward

The cable-cutting incidents in the Baltic Sea and the subsequent responses from NATO members highlight the region's growing instability and strategic importance. As Russia and China continue to align their security interests and challenge the existing global order, NATO allies must remain vigilant and proactive in safeguarding their interests and maintaining regional stability.

NATO members around the Baltic Sea have already increased surveillance and monitoring of maritime activities. These activities, including deploying new technologies for undersea monitoring, cannot be compromised even though the international community's focus shifts to the Middle East or other emerging crises. Stricter maritime security measures, such as conducting Port State Control checks on ships transporting Russian oil and inspections for compliance with maritime safety requirements, might also deter potential saboteurs.

International law has proven ineffective and outdated regarding inspecting or seizing vessels

[53] Peter Mattis, "China's 'Three Warfares' in Perspective," War On the Rocks. Jan. 13, 2018. https://warontherocks.com/2018/01/chinas-three-warfares-perspective/

[54] "China calls for efforts toward effective European security architecture," Xinhua. Jun. 7, 2024. https://english.news.cn/20240607/2f05d59fb2714f528b0e4e303560a140/c.html

[55] Zheng William, "China's officials play up 'rise of the East, decline of the West," *South China Morning Post*. Mar. 9, 2021. https://www.scmp.com/news/china/diplomacy/article/3124752/chinas-officials-play-rise-east-decline-west

[56] Shi Jiangtao, "China says 'East is rising and West declining', but has it been misunderstood?" *South China Morning Post*, Oct. 22, 2021. https://www.scmp.com/news/china/diplomacy/article/3153379/china-says-east-rising-and-west-declining-has-it-been

suspected of being involved in hybrid attacks. This was the case particularly with Yi Peng 3, where Chinese authorities denied requests for inspection by European investigators. [57] As developing more effective binding international legal frameworks is likely impossible, the answer may lie in developing new national legislation. Although Russia and China would challenge the implementation of such legislation, such a challenge would be weak as both those countries consistently invoke the primacy of their own sovereign jurisdictions in relation to their conduct.

Diplomatic pressure should also be constantly applied. The prosecution of the Mainland Chinese captain of the Hong Kong-flagged container ship Newnew Polar Bear in Hong Kong over damaging the Baltic Sea pipeline[58] could have been a result of the application of back-channel diplomatic pressure. Simultaneously, keeping up the close cooperation among the Baltic Sea NATO member states is imperative in areas such as sharing intelligence, collective responses to hybrid threats, and conducting joint military exercises to enhance readiness and deterrence.

The issue of the security of the Baltic Sea does not stand in isolation from what is happening elsewhere in the world. Continuous and substantive support for Ukraine has an impact on Baltic Sea security, as it demonstrates a common front against Russian aggression and reinforces the commitment to defending sovereign nations against foreign attacks.
It was no surprise that former Finnish President Sauli Niinistö was invited to conduct a report for the European Commission on strengthening EU civil and military preparedness and readiness for dealing with crises.[59] Finland has been at the forefront of "whole-of-society" preparedness [60] and is often seen as an example to other NATO members. In light of the events in the Baltic Sea, preparedness includes creating infrastructure that is resilient against hybrid attacks, thereby minimizing the impacts of sabotage and ensuring continuity of services. Preparedness becomes easier with high public awareness of the nature of hybrid warfare and tactics used by countries such as Russia and China. Educating citizens is thus an essential part of the overall preparedness toolbox.

The Baltic Sea hybrid operations are designed to distract NATO members' attention, for example, from the Ukraine War. Future events in the Baltic Sea will further shed light on Chinese involvement in the hybrid warfare being carried out in the area. The occurrence of similar operations in the future should send a serious message to the NATO members, and an additional motivation for the Russia-China axis may well be to test the role of the US in NATO and its willingness to support its European allies in the High North.

[57] Bryant Miranda, "Sweden says China denied request for prosecutors to board ship linked to severed cables," *The Guardian*. Dec. 23, 2024. https://www.theguardian.com/world/2024/dec/23/china-refused-investigation-into-ship-linked-to-severed-baltic-cables-says-sweden

[58] Wong Brian, "Ship captain remanded in custody in Hong Kong over damaging Baltic Sea pipeline," *The South China Morning Post*. May 8, 2025. https://www.scmp.com/news/hong-kong/law-and-crime/article/3309618/ship-captain-remanded-custody-hong-kong-over-damaging-baltic-sea-pipeline?module=perpetual_scroll_0&pgtype=article

[59] Niinistö Sauli, "Safer Together Strengthening Europe's Civilian and Military Preparedness and Readiness," European Commission. https://commission.europa.eu/document/download/5bb2881f-9e29-42f2-8b77-8739b19d047c_en?filename=2024_Niinisto-report_Book_VF.pdf

[60] "Preparing for incidents and crises." SUOMI.fi. https://www.suomi.fi/guides/preparedness

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3

Overcoming Obstacles to a Stronger Taiwan-Philippines Relationship

Thomas J. Shattuck

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By
Thomas J. Shattuck

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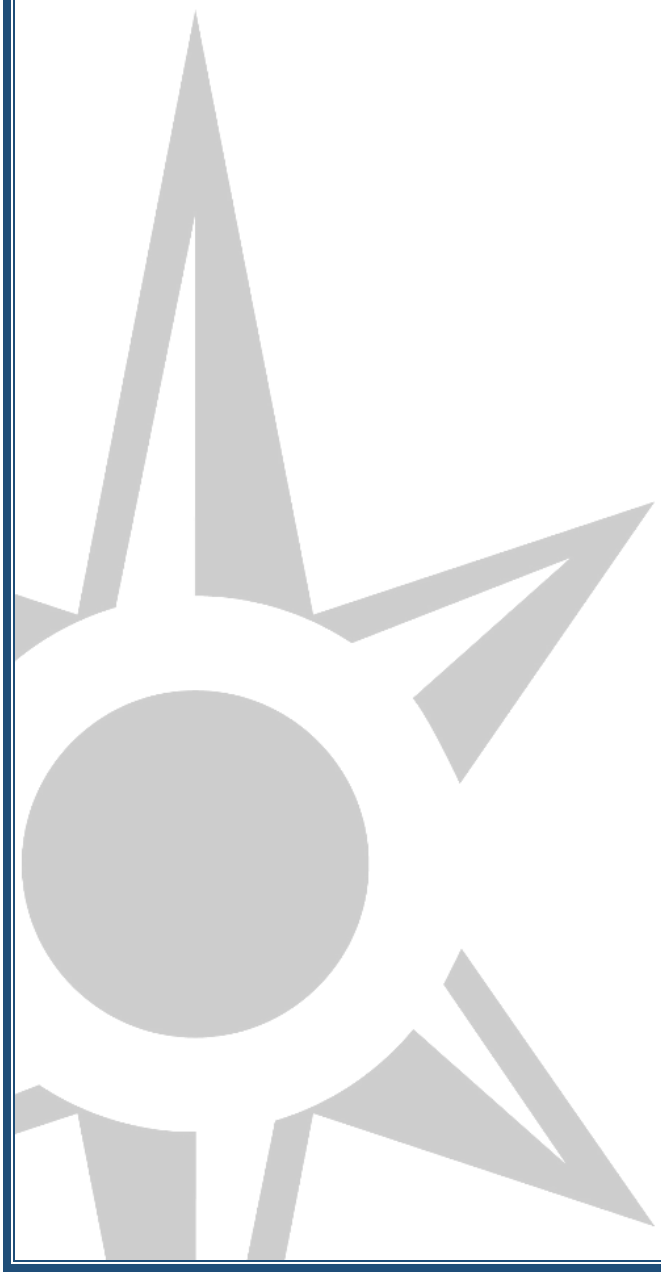

Executive Summary

Thomas J. Shattuck

One of the most important relationships in the Indo-Pacific is between two neighbors with an unofficial relationship: Taiwan and the Philippines. Since 2022, leaders in Manila have made various statements referencing the Philippines' possible role in a Taiwan contingency. Regardless of its level of involvement in a Taiwan contingency, the Philippines will be affected by a quarantine, blockade, or conflict in Taiwan, as the People's Republic of China would need to control the Bashi Channel and Luzon Strait, two waterways that separate the Philippines from Taiwan (and even the Philippine islands from the rest of the country). Despite the linkage between Philippine and Taiwanese security, the two countries—given Taiwan's international isolation and the Philippines' One China Policy—have a limited unofficial relationship. This report seeks to analyze the obstacles preventing the two sides from developing more substantial levels of cooperation and engagement. The three primary obstacles are (1) the legacy and ongoing implications of the South China Sea dispute; (2) the impact of Manila's current interpretation of its One China Policy; and (3) foreign policy preferential swings on China between successive presidents and the Philippines' own foreign policy priority of the West Philippines Sea over northern waterways. Understanding these three issues and analyzing ways to navigate them are critical for the future of Taipei and Manila's stability and national security.

Introduction

As 2027[1] approaches, one of the most critical bilateral relationships in the Indo-Pacific region will be between the Republic of China (ROC, Taiwan) and the Republic of the Philippines. The two countries are neighbors separated by the Luzon Strait and Bashi Channel, two critical waterways linking the Western Pacific Ocean to the Taiwan Strait and the South China Sea. Taipei and Manila both face significant and similar military pressure and coercion from the People's Republic of China (China, PRC). Beijing does not necessarily have the same end goals for its relationship with these two countries. For Taiwan, Chinese Community Party (CCP) General Secretary Xi Jinping remains clear in his ambitions to formally absorb Taiwan into the PRC through peaceful or non-peaceful means; for the Philippines, Beijing seeks to marginalize Manila's control of various features and its jurisdiction over parts of the South China Sea to increase China's power projection capabilities in maritime Southeast Asia.

Facing similar yet critically different circumstances and relationships with the PRC, Taipei and Manila may seem like natural partners. They each have much to learn from the other in contesting PRC military, economic, and political coercion, as well as combating malign political and electoral influence and disinformation, responding to natural disasters, and managing an asymmetric power dynamic with their primary security partner, the United States of America. For the Philippines, an understanding of the PRC's endgame for Taiwan is relevant to ensuring its own security. A blockade of– or military conflict over– Taiwan would significantly challenge Philippine security. After all, some of the Philippines' northernmost islands are geographically closer to Taiwan than the Philippines, and are isolated from the Philippine "mainland" by the Luzon Strait—a waterway that would be engulfed in a potential blockade or conflict. Any Taiwan contingency would have negative consequences for the economic well-being of the Philippines. A successful takeover of Taiwan by the PRC would mean that the Philippines would face a People's Liberation Army (PLA) presence to its north and west. In addition, there are 150,000 Filipinos living and working in Taiwan, and the protection of overseas Filipino workers (OFWs) and the broader diaspora is a major foreign policy issue for Manila.

Considering this, it would make sense that Manila and Taipei have close contact and a robust unofficial security cooperation. However, as with many policy considerations related to Taiwan and its international space and foreign relations, such logic does not always apply. Taiwan and the Philippines are geographically close, they are both representative democracies, and they both face multi-faceted threats from a larger neighboring state. However, their bilateral relationship is lacking in direct government and military exchange and cooperation– even informal cooperation. Discussions with politicians, government officials, and military personnel on both sides of the Luzon Strait characterize the Taiwan-Philippines relationship in vastly different and contradictory terms. Nonetheless, this does not mean that the state of the bilateral relationship is hostile or poor. Since the August 2022 visit to Taipei by then-U.S. House Speaker Nancy Pelosi, there has been a growing appreciation and understanding in Manila for the security issue to its north. Since 2022, Taiwan has faced several encirclement military exercises and drills conducted by the PLA, which have utilized the Bashi Channel and Luzon Strait—a reason for concern in the Philippines. President Ferdinand "Bongbong" Marcos, Jr. has acknowledged the implications of a Taiwan contingency on the Philippines. There is momentum toward improving Taiwan-Philippines ties, but progress is slow. Now, with the return of Donald Trump to the Oval Office, and the related uncertainty regarding U.S. commitments to its security partners, Manila may have another reason –beyond the possibility of a military contingency– to foster better ties with Taipei.

This report seeks to analyze the obstacles toward fostering a better unofficial security relationship

[1] U.S. government and military officials have concluded that Beijing has set the year 2027 as the deadline or timeframe to have the capabilities to successfully invade Taiwan. Noah Robertson, "How DC became obsessed with a potential 2027 Chinese invasion of Taiwan," *Defense News*, May 7, 2024, https://www.defensenews.com/pentagon/2024/05/07/how-dc-became-obsessed-with-a-potential-2027-chinese-invasion-of-taiwan/; Michael Mazza, "A Threat Made Manifest: Trump, Taiwan, and the Davidson Window," Global Taiwan Institute, November 27, 2024, https://globaltaiwan.org/2024/11/a-threat-made-manifest/; Mallory Shelbourne, "Davidson: China Could Try to Take Control of Taiwan In 'Next Six Years'," *USNI News*, March 9, 2021, https://news.usni.org/2021/03/09/davidson-china-could-try-to-take-control-of-taiwan-in-next-six-years; Micah McCartney, "Taiwan Sounds Alarm on 2027 Invasion," *Newsweek*, March 19, 2024, https://www.newsweek.com/taiwan-sounds-alarm-2027-china-invasion-2047166; and Kerry Brown and Ryan Hass, "Will 2027 invite conflict for Taiwan and China?," Brookings Institution, February 25, 2025, https://www.brookings.edu/articles/will-2027-invite-conflict-for-taiwan-and-china/.

between Taipei and Manila. What are the current obstacles to closer ties between the two countries? Which obstacles, if any, can be negotiated or improved? The author spoke with scholars, experts, lawmakers, military personnel, and policymakers from Taiwan and the Philippines [2] to inform this report. This paper will first analyze the importance of the unofficial Taiwan-Philippines relationship in the context of a post-Pelosi cross-Strait environment leading into 2027. It will then primarily focus on three specific obstacles in the bilateral relationship: (1) the legacy and ongoing impact of the South China Sea dispute; (2) the impact of Manila's current interpretation of its One China Policy; and (3) foreign policy preferential swings on China between successive presidents, as well as the Philippines' foreign policy prioritization of the West Philippines Sea over northern waterways. These three issues inform the most substantial obstacles to an improved– yet still unofficial– relationship between Taiwan and the Philippines.

A Shift in Manila on Taiwan's Importance?

After August 2022, the effect of a possible Taiwan contingency on the Philippines became an important national security concern for policymakers and lawmakers in Manila. Even though Taiwan is the Philippines' northern neighbor and has a long history of tensions with the PRC, a Taiwan contingency was initially not high on the list of Manila's immediate concerns. A blockade, offshore island seizure, or military invasion were all abstract, far-off possibilities. Then, Nancy Pelosi visited Taipei in August 2022.

The Pelosi delegation's visit to Taipei ruptured the abstract nature of a Taiwan contingency. The PLA initiated a large-scale joint live-fire military exercise all around Taiwan. A drill of that scale had not occurred since the Third Taiwan Strait Crisis in 1995-96, when the PRC fired missiles into the Taiwan Strait. That event occurred when the Philippines was not focused on issues to its north, and had since become a distant memory. The August 2022 exercise became a direct problem for the Philippines because one of the exclusion zones overlapped with the Philippines' exclusive economic zone (EEZ). While no PRC missiles landed inside the Philippine EEZ—in contrast to the Japanese EEZ, where PRC missiles were intentionally fired according to Xi's own orders [3]—the exercise put a Taiwan contingency on the radar. It suddenly became a distinct possibility that the PRC could continue to use military escalation against Taiwan to subdue it and force annexation. Moreover, according to a recent *Wall Street Journal* report, a military blockade of Taiwan is now a distinct prospect considering PLA Navy (PLAN) developments. [4] A military blockade of Taiwan would encompass the Luzon Strait and Bashi Channel. This would slow down or completely halt shipping that is critical for the Philippines' economy, as well as the broader Southeast Asian economy.

After the August 2022 exercise, President Marcos spoke publicly about the incident. Over the last approximately three years, Marcos and his cabinet officials have publicly mentioned the Taiwan issue on numerous occasions. Then-Secretary of State Tony Blinken visited the Philippines during the Pelosi visit, so Marcos was essentially forced to address the issue in real time. About the Pelosi visit and exercises, he said, "To be perfectly candid, I did not think it raised the intensity, it just demonstrated it – how the intensity of that [the Taiwan] conflict has been. It actually has been at that level for a good while, but we got used to it and put it aside." [5] His statement reflects an interesting perspective: that cross-Strait relations have always been bad, that the Pelosi visit was just another part of that bad relationship, and that he is not extremely worried about it. In September 2022, at the Asia Society, Marcos delivered a speech that addressed cross-Strait tensions. He changed his tone on the issue in this speech: "We are certainly concerned about rising tensions in the Taiwan Strait just north of the Philippines. We urge all parties involved to exercise maximum restraint. Dialogue and diplomacy must prevail. We adhere to the one China policy and have consistently called for the peaceful resolution of their issues." [6] His emphasis on the location of Taiwan in

[2] To allow for a more frank and open exchange of information, all interviews were conducted on background, so the names of those interviewed are not shared. No person is directly quoted by name.
[3] "Xi let missiles fall in Japan EEZ during Taiwan drills: sources," *Kyodo News*, August 11, 2022, https://english.kyodonews.net/news/2022/08/2e93a85c08b8-urgent-xi-decided-to-let-missiles-fall-in-japan-eez-during-taiwan-drills.html.
[4] Joyu Wang and Austin Ramzy, "China Is Ready to Blockade Taiwan. Here's How," *Wall Street Journal*, March 23, 2025, https://www.wsj.com/world/china/china-is-ready-to-blockade-taiwan-heres-how-8cffdeb2.
[5] Richard Javad Heydarian, "US, Philippines flex alliance in heat of Taiwan crisis," *Asia Times*, August 8, 2022, https://asiatimes.com/2022/08/us-philippines-flex-alliance-in-heat-of-taiwan-crisis.
[6] Asia Society "Philippines: President Ferdinand Marcos Jr.," Asia Society, September 23, 2022, https://www.youtube.com/watch?v=_fMItHstBTg.

relation to the Philippines is key to understanding the new immediacy of cross-Strait tensions in Manila. It acknowledges that Taiwan– and Taiwan's future– will affect the Philippines and its national security.

Months later, in Tokyo, Marcos further refined his position. Marcos said, "When we look at the situation in the area, especially the tensions in the Taiwan Strait, we can see that just by our geographical location, should there in fact be conflict in that area . . . it's very hard to imagine a scenario where the Philippines will not somehow get involved."[7] From August 2022 to February 2023, Marcos's position elevated from blasé detachment to an unknown level of involvement. Then, in May 2023, during his visit to the White House, Marcos expanded his views even further. For the first time, the president connected the Enhanced Defense Cooperation Agreement (EDCA) sites to a Taiwan contingency. He said, "Now there's an additional aspect to [EDCA]... And that is... tensions across the Taiwan Straits seem to be continuing to increase. Then the safety of our Filipino nationals in Taiwan becomes of primordial importance. . . And so these EDCA sites will also prove to be useful for us should that terrible occurrence come about."[8] In less than a year, he went from explaining that cross-Strait tensions were nothing to worry about to admitting that EDCA sites could be useful in a Taiwan contingency.

Marcos' interest in Taiwan perhaps culminated in January 2024 when he sent a congratulatory message to Lai Ching-te after his electoral victory. The statement read: "On behalf of the Filipino people, I congratulate President-elect Lai Ching-te on his election as Taiwan's next president. . . We look forward to close collaboration, strengthening mutual interests, fostering peace and ensuring prosperity for our peoples in the years ahead."[9] The statement was not well received by the PRC, with CCP officials quickly admonishing Marcos for interacting with the president-elect of Taiwan. The pressure from Beijing on those statements led Marcos to tamp down on his comments regarding Taiwan's connection to Philippine national security. After the blowback, Marcos clarified his congratulatory statement, saying, "The One-China policy remains in place. We have adhered to the One-China policy strictly and conscientiously since we adopted (it) . . . We are not endorsing Taiwanese independence. Taiwan is a province of China."[10] This is seemingly a dramatic walk-back, especially when coupled with Defense Secretary Gilberto Teodoro's remarks in May 2024 that "I will not comment on anything on the Taiwan Strait, as that's an internal matter for them."[11] This comment was made about the May 2024 *Joint Sword 2024A* military exercises conducted in response to the inauguration of President Lai.

Perhaps there was acknowledgment in Manila that Marcos and his administration had publicly moved too far and too fast on comments related to Taiwan. Marcos' increasingly pro-China statements could also be the result of extended PRC political pressure over Taiwan concerning tensions in the South China Sea. For the Philippines, a reduction in incidents around the BRP *Sierra Madre* may have been more important than public expressions of support for Taiwan. In response to the two-day April 2025 joint PLA military exercise *Strait Thunder 2025A* around Taiwan, Chief of Staff of the Armed Forces of the Philippines (AFP) Gen. Romeo Brawner warned about the involvement of the AFP in a Taiwan conflict. Brawner told soldiers at Northern Luzon Command, "If something happens to Taiwan, inevitably we will be involved. There are 250,000 OFWs working in Taiwan, and we will have to rescue them."[12] Brawner ordered the troops to "not be content with just securing the Northern Hemisphere up to Mavulis Island. Start planning for actions in case there is an invasion of Taiwan." Based on Brawner's recent comments, it is clear that a cross-Strait conflict is no longer a hypothetical future issue, but one that requires planning by the AFP.[13]

[7] "Transcript: Philippine President Marcos speaks with Nikkei Asia," Nikkei Asia, February 13, 2023, https://asia.nikkei.com/Editor-s-Picks/Interview/Transcript-Philippine-President-Marcos-speaks-with-Nikkei-Asia.

[8] Michael Martina, Don Durfee, and David Brunnstrom, "Marcos says Philippines bases could be 'useful' if Taiwan attacked," *Reuters*, May 5, 2023, https://www.reuters.com/world/asia-pacific/marcos-says-philippines-bases-could-be-useful-if-taiwan-attacked-2023-05-05/.

[9] Associated Press, "Philippine president congratulates Taiwan's president-elect, strongly opposed by China," *The Asahi Shimbun*, January 16, 2024, https://www.asahi.com/ajw/articles/15114002.

[10] Mikhail Flores and Karen Lima, "Philippines Marcos says does not endorse Taiwan independence, seeks to avoid conflict," *Reuters*, January 23, 2024, https://www.reuters.com/world/asia-pacific/philippines-marcos-says-does-not-endorse-taiwan-independence-seeks-avoid-2024-01-23/.

[11] Karen Lima, "Philippine defence chief says Taiwan Strait situation an 'internal matter,'" *Reuters*, May 24, 2024, https://www.reuters.com/world/asia-pacific/philippine-defence-chief-says-taiwan-strait-situation-an-internal-matter-2024-05-24/.

[12] Aaron-Matthew Lariosa, "Philippine Armed Forces Chief Tells Troops to Prepare For Taiwan Invasion," *USNI News*, April 2, 2025, https://news.usni.org/2025/04/02/philippine-armed-forces-chief-tells-troops-to-prepare-for-taiwan-invasion.

[13] Frances Mangosing, "PH, US Marines to stage drills on moving 'displaced OFWs,'" *Philippine Inquirer*, October 15, 2024, https://globalnation.inquirer.net/252438/ph-us-marines-to-stage-drills-on-moving-displaced-ofws.

The rhetoric from top leaders in Manila has evolved significantly over the last three years. As cross-Strait relations continue to deteriorate and more PLA and PLAN assets move through the Luzon Strait and Bashi Channels for military exercises, Manila will need to continue to calculate how to respond publicly to such actions. As a direct neighbor of Taiwan, the Philippines must continue to emphasize peace and stability; it must not move too far on its support without the ability to back up its words with policy changes and actions. In some respects, Marcos went further than the Biden administration did on connecting Taiwanese and Philippine security in the public sphere. As the Trump administration develops its Indo-Pacific strategy, Manila should not seek to raise the issue too loudly. That would create additional tensions in an uncoordinated manner, especially when Taipei and Manila have other non-military issues that they can address cooperatively.

Analysis of Obstacles

Even though the messaging from Manila on Taiwan has oscillated over the last three years, there are still critical obstacles in fostering a closer, unofficial relationship between the two neighbors. It is important to note upfront that the following issues will not individually prevent Manila from changing its views on the future of Taiwan. After all, even though these issues existed before Marcos became president, Marcos still changed his views on Taiwan as a result of PRC actions. Nevertheless, the following three obstacles—the South China Sea dispute, the Philippines' One China Policy, and foreign policy swings and different priorities from Manila—when taken together, represent major barriers to creating a better relationship between the two neighbors facing similar threats from the PRC.

South China Sea Dispute

The South China Sea dispute is a critical issue for the Indo-Pacific involving seven countries throughout the region, including Taiwan and the Philippines. While Taiwan is not as active in the dispute as the Philippines, the PRC's South China Sea claims use the historic position of the Republic of China before the Kuomintang (KMT) fled to Taiwan at the end of the Chinese Civil War in 1949. Marcos' National Security Policy (NSP) 2023-2028 identifies the West Philippine Sea as the "primary national interest of the Philippines."[14] The continued encroachment by the PRC into the West Philippine Sea is a major concern for Manila, which seeks to protect "the Filipino people's exercise of legitimate rights and their safety and well-being."[15] Another "major concern" is cross-Strait relations because it has "the potential to be the flashpoint in the region."[16] The South China Sea and the West Philippine Sea have traditionally been Manila's primary concern in external issues. It has been for decades and remains so under Marcos.

The South China Sea dispute is an obstacle for Taiwan-Philippines relations because Taipei boycotted the ruling in *The Republic of Philippines v. The People's Republic of China*, which lasted from 2013-2016. The case "concerned the role of historic rights and the source of maritime entitlements in the South China Sea, the status of certain maritime features in the South China Sea, and the lawfulness of certain actions by China in the South China Sea."[17] The PRC would eventually come to boycott the proceedings and refuse to accept the ruling in favor of the Philippines. Beijing argued that the Permanent Court of Arbitration did not have jurisdiction to hear the case. Taipei was clear in its 2015 position paper: "Any arrangement or agreement... that is reached without ROC participation and consent shall have no legal effect on the ROC and shall not be recognized by the ROC government."[18] Given that Taiwan was (and is) not a member of the United Nations, it was excluded from the proceedings, even though Beijing used the ROC's historic position.

While Taipei did not recognize the outcome of the arbitration ruling, Taiwan's position during the Ma administration demonstrated a maximalist approach

[14] The Office of the President of the Republic of the Philippines, "National Security Policy 2023-2028," August 2023, https://nsc.gov.ph/images/NSS_NSP/National_Security_Policy_Manual_FINAL_E-COPY_with_WATERMARK_140823.pdf?appgw_azwaf_jsc=wDmvM_UX8HlV3VJMwAa0ghi_LxqMuH916r9gUKHsHLA.

[15] "National Security Policy 2023-2028," https://nsc.gov.ph/images/NSS_NSP/National_Security_Policy_Manual_FINAL_E-COPY_with_WATERMARK_140823.pdf?appgw_azwaf_jsc=wDmvM_UX8HlV3VJMwAa0ghi_LxqMuH916r9gUKHsHLA.

[16] "National Security Policy 2023-2028," https://nsc.gov.ph/images/NSS_NSP/National_Security_Policy_Manual_FINAL_E-COPY_with_WATERMARK_140823.pdf?appgw_azwaf_jsc=wDmvM_UX8HlV3VJMwAa0ghi_LxqMuH916r9gUKHsHLA.

[17] The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China), 2013-19, January 22, 2023, https://pca-cpa.org/ar/cases/7/.

[18] "Statement on the South China Sea," Ministry of Foreign Affairs of the Republic of China (Taiwan), July 7, 2015, https://en.mofa.gov.tw/News_Content.aspx?n=1EADDCFD4C6EC567&s=EDEBCA08C7F51C98.

to its claims and holdings in the South China Sea. The Ma administration wrote,

Whether from the perspectives of history, geography, or international law, the Nansha (Spratly) Islands, Shisha (Paracel) Islands, Chungsha Islands (Macclesfield Bank), and Tungsha (Pratas) Islands, as well as their surrounding waters, are an inherent part of ROC territory and waters. As the ROC enjoys all rights to these island groups and their surrounding waters in accordance with international law, the ROC government does not recognize any claim to sovereignty over, or occupation of, these areas by other countries, irrespective of the reasons put forward or methods used for such claim or occupation.[19]

In addition to preserving the ROC's claims in the South China Sea, the Ma administration was particularly keen to prove and maintain that Taiping Island was an island that could sustain life, which would provide Taipei with greater rights. The ability of the island to sustain life was the determining factor for its classification as either an island or a rock. The Ma administration was adamant on its island-ness in its position paper.[20] After the ruling– which included the downgrading of Taiping to a "rock"– was released, members of the KMT, the ruling party at the time of the beginning of the case, and the Democratic Progressive Party (DPP), the ruling party when the award was granted, rejected the ruling outright. The July 2016 ruling was a rare moment of bipartisan harmony between the KMT and DPP. The two parties released a statement condemning the ruling and emphasizing the Taiping issue: "Taiping Island is a natural island, not a rock. The arbitration tribunal's judgement is obviously at odds with facts. And that the award refers to the nation as 'Taiwan Authority of China' has belittled the nation's status as a sovereign nation and is unacceptable to the ROC government and its people."[21]

The disregard for the ruling was not limited to the legislature. President Tsai Ing-wen, inaugurated in May 2016, starkly rejected the ruling and had a similar position to Ma. In response to the ruling, Tsai sent a frigate to patrol the waters of the South China Sea.[22] The Tsai administration also strongly rejected the ruling, emphasizing Taiwan's exclusion and the downgrading of Taiping Island: "The arbitral tribunal did not formally invite the ROC to participate in its proceedings, nor did it solicit the ROC's views. Therefore, the award has no legally binding force on the ROC."[23] Taiwan's exclusion was the critical point in Taiwan's rejection of the ruling. However, Taipei argued that the ruling had been expanded to include Taiping, which was not an original part of the Philippines case:

Taiping Island was not originally included in the Philippines' submissions for arbitration. However, the tribunal took it upon itself to expand its authority, declaring ROC-governed Taiping Island, and other features in the Nansha (Spratly) Islands occupied by Vietnam, the Philippines, and Malaysia, all to be rocks that 'do not generate an exclusive economic zone.' This decision severely jeopardizes the legal status of the South China Sea Islands, over which the ROC exercises sovereignty, and their relevant maritime rights.[24]

The emphasis on the sovereignty of Taiping and the island's ability to sustain life were the two key points that the Tsai administration would inherit during her eight years in office. The DPP largely ignored the nine-dash line issue. And even though Tsai rejected the 2016 ruling, she resisted consistent pressure to visit Taiping, which her two predecessors had done.

President Lai has avoided explicitly mentioning the topic since winning the January 2024 presidential election. However, a closer look at relevant speeches may give critical insights into his administration's views on the South China Sea issue. In contrast to Tsai's first inaugural address, Lai did not mention anything regarding the South China Sea in his

[19] "Statement on the South China Sea," https://en.mofa.gov.tw/News_Content.aspx?n=1EADDCFD4C6EC567&s=EDEBCA08C7F51C98.
[20] "Position Paper on ROC South China Sea Policy," Republic of China (Taiwan), March 21, 2016, https://www.roc-taiwan.org/uploads/sites/35/2016/03/Position-Paper-on-ROC-South-China-Sea-Policy.pdf.
[21] Alison Hsiao, "Legislature rejects S China Sea ruling," *Taipei Times*, July 16, 2016, https://www.taipeitimes.com/News/front/archives/2016/07/16/2003651126.
[22] Stacy Hsu, "Government rejects South China Sea ruling," *Taipei Times*, July 13, 2016, https://www.taipeitimes.com/News/front/archives/2016/07/13/2003650919.
[23] "ROC position on the South China Sea Arbitration," Ministry of Foreign Affairs of the Republic of China (Taiwan), July 12, 2016, https://en.mofa.gov.tw/News_Content.aspx?n=1EADDCFD4C6EC567&s=5B5A9134709EB875
[24] "ROC position on the South China Sea Arbitration," https://en.mofa.gov.tw/News_Content.aspx?n=1EADDCFD4C6EC567&s=5B5A9134709EB875

address. [25] During his week as president, KMT lawmakers pressured Lai to make a substantive statement on Taiping when they visited the island, but Lai did not oblige.[26] In July 2024, at the Inter-Parliamentary Alliance on China Summit in Taipei, Lai brought up the South China Sea for the first time since coming into office but avoided marking any position or policy: "China's military expansionism in the East and South China Seas has not only been seen through military exercises in the Taiwan Strait, but also in joint sea and air drills with Russia in the South China Sea and Western Pacific."[27]

In his address, Lai avoided mentioning his administration's position on the South China Sea dispute. Rather, he attempted to connect PRC aggression across the region. He also did not mention the issue in his first National Day address in October 2024.[28]

Days later, Lai gave another speech commemorating the 75th anniversary of the Battle of Guningtou, where ROC forces successfully defeated a PRC invasion of Kinmen. During this speech, Lai promised that Taiwan would "not cede an inch of its territory."[29] He was very specific on what that "territory" was, stating that his administration "will not yield an inch of ground in Taiwan, Penghu, Kinmen and Matsu to firmly defend our homeland."[30] Taiwan's holdings in the South China Sea are missing from that promise. Lai appears to be avoiding the South China Sea issue; such an omission from critical speeches gives insight into where he falls on the issue. However, by not formally making a policy statement on the South China Sea, Taipei's policy effectively remains the same. Taiwan's past policy will persist unless the Lai administration makes a clear statement to the contrary. Lai's omissions should be viewed positively by Manila, but Lai needs to be more transparent before there can be a true breakthrough on the South China Sea obstacle with the Philippines. This is because, as far as Manila is concerned, without a clear statement, Lai has the same South China Sea policy and repudiation of the 2016 ruling as Tsai and Ma. The Marcos administration should read Lai's omissions as an opportunity for dialogue.

The Philippines' One China Policy

A country's One China Policy and its joint communique normalizing relations with Beijing generally serve to delimit the scale of its unofficial relationship with Taipei. In the case of the Philippines, relations were normalized with Beijing and ties were severed with Taipei in 1975. The joint communique states,

The Philippine Government recognizes the Government of the People's Republic of China as the sole legal government of China, fully understands and respects the position of the Chinese Government that there is but one China and that Taiwan is an integral part of Chinese territory, and decides to remove all its official representations from Taiwan within one month from the date of signature of this communique.[31]

The key point in these communiques can be gleaned from the verbs that come before the phrase, "the position of the Chinese Government." For the Philippines, Manila "fully understands and respects" China's position. It does not "accept," "concur," "recognize," or "confirm" the PRC position. The U.S. communique uses the word "acknowledge," which is arguably less of a commitment than Manila's language. Manila's communique language mirrors that of Japan's.[32] However, Manila's commitment to "fully understand and respect" the PRC position gives it a broad range of interpretability in its position on Taiwan.

As a result of the Philippines' vagueness and flexible language on the future of Taiwan, the president is able to decide the direction of Manila's One China

[25] Lai Ching-te, "Inaugural Address of ROC 16th-term President Lai Ching-te," Office of the President of the Republic of China (Taiwan), May 209, 2024, https://english.president.gov.tw/News/6726.
[26] "Lawmakers visit Taiping Island, urge Lai to reaffirm sovereignty," *Focus Taiwan News Channel*, May 18, 2024, https://focustaiwan.tw/politics/202405180009.
[27] Lai Ching-te, "President Lai addresses Inter-Parliamentary Alliance on China Summit," Office of the President of the Republic of China (Taiwan), July 30, 2024, https://english.president.gov.tw/News/6791.
[28] Lai Ching-te, "President Lai delivers 2024 National Day Address," Office of the President of the Republic of China (Taiwan), October 10, 2024, https://english.president.gov.tw/News/6816.
[29] Matt Yu, Wu Wen-jung, and Ko Lin, "Taiwan will not allow 'external force' to change its future: President Lai," *Focus Taiwan News Channel*, October 25, 2025, https://focustaiwan.tw/politics/202410250020.
[30] "Taiwan president says island 'won't yield an inch' of its territory," *France 24*, October 25, 2024, https://www.france24.com/en/live-news/20241025-taiwan-president-says-won-t-yield-an-inch-in-defence-of-island-s-territory.
[31] "Joint Communique of the Government of the People's Republic of China and the Government of the Republic of the Philippines (1975)," https://en.wikisource.org/wiki/China_Philippines_Communique_Establishing_Diplomatic_Relations
[32] Chong Ja Ian, "The Many "One Chinas": Multiple Approaches to Taiwan and China," Carnegie Endowment for International Peace, February 9, 2023, https://carnegieendowment.org/research/2023/02/the-many-one-chinas-multiple-approaches-to-taiwan-and-china?lang=en.

Policy. Manila is informally represented in Taiwan by the Manila Economic and Cultural Office (MECO), which is a private entity with a presidential appointee and is not a part of the Ministry of Foreign Affairs.[33] The primary goal of MECO is to assist in economic and trade ventures. It can carry out activities of a "non-political, non-security nature."[34] The mission of MECO and the current state of Philippine-Taiwan relations were directly shaped by President Gloria Macapagal-Arroyo in 2001 with Executive Order No. 15.[35] Today, the authorized functions of MECO in the executive order are listed on the MECO website in the exact same way in which they were originally formulated. Arroyo's order states, "MECO must seek policy guidance from the Office of the President due to the One-China policy commitment."[36] And under Arroyo, that guidance was clear: no Track 1-level engagement with Taiwanese counterparts.[37] Arroyo's guidance expanded on the 1987 Executive Order No. 313 issued by President Corazon Aquino, which mandated that "no official of the Philippine government may visit Taiwan; no official of the Philippine government may receive Taiwanese officials visiting the Philippines; no official activity relating to Taiwan shall be carried out without the clearance of the Department of Foreign Affairs."[38]

Given the structure of the placement of MECO within the Office of the President, any president can determine what sort of engagement members of the Philippine government can have with their Taiwanese counterparts, including the ability of government officials and uniformed military officers to travel to/from Taiwan. Under Marcos, engagements between the two countries have improved, but there is still a reluctance to increase the space for direct conversations and engagement. Two conversations provide stark examples of the continued disconnect between civilian government officials and military personnel in the two countries. First, I spoke with two high-ranking government officials—with nominally the same jobs and portfolios—in both Taipei and Manila in the same week. In Taiwan, the official bluntly stated that national security cooperation, collaboration, and conversations with Filipinos were non-existent and that they did not know their Filipino counterpart or how to contact them. In the Philippines, the second official told a different story: that national security exchanges were quite strong and that there was regular contact between the two capitals. Next, I spoke with military personnel in Manila interested in learning from their Taiwanese counterparts on how to counter PRC misinformation. They did not know who to contact or how to contact them. In fact, they were considering going to Taipei in civilian clothes and in order to try to find a way to meet someone in the country– all with the blessing of a high-ranking military officer.[39] These two stories illustrate the negative effect of Manila's One China Policy on the government and military's ability to work with Taiwan. There are multiple disconnects that prevent dialogue, direct contact, and substantive collaboration. Marcos himself could change the Philippine approach to these issues at any moment by issuing another executive order– or, in a less formal fashion, directing his administration to engage with their Taiwanese counterparts privately.

Philippines' Foreign Policy Swings and Priorities

Another key issue holding back medium-to-long-term progress in the Philippines-Taiwan relationship is the foreign policy preferences of Malacañang. The president of the Philippines serves a six-year term, which means that there is a new foreign policy preference coming from Manila every six years. In the Indo-Pacific region, consecutive presidents have switched between a PRC-centered vector and one focused on emphasizing the U.S. alliance at the expense of relations with the PRC. The Aquino and Arroyo administrations, as discussed above, limited the Philippines' engagement with Taiwan. The Benigno Aquino III administration utilized a foreign policy vision that was skeptical of the PRC, given its encroachments in the West Philippine Sea. Under the Aquino III administration, Manila filed its arbitration case against the PRC at the Permanent Court of Arbitration.

Rodrigo Duterte, whose presidency followed the term of Aquino III, swung significantly into the pro-PRC foreign policy space. Even though Manila won

[33] Tarra Quismundo, "Pimentel seeks probe into Meco status," *Philippine Inquirer*, March 4, 2017, https://globalnation.inquirer.net/153089/pimentel-seeks-probe-meco-status.
[34] Manila Economic and Cultural Office, Philippine Representative Office in Taiwan, "Who We Are," https://www.meco.org.tw/about-us/who-we-are.
[35] Gloria Macapagal-Arroyo, "OP Executive Order No. 15," May 15, 2001, https://jur.ph/law/summary/manila-economic-cultural-office-authorized-functions-trade-investment-exchanges.
[36] "OP Executive Order No. 15," https://jur.ph/law/summary/manila-economic-cultural-office-authorized-functions-trade-investment-exchanges.
[37] Interview with U.S. and Filipino experts, May-June 2024 and March 2025.
[38] Executive Order No. 313 December 17, 1987, https://lawphil.net/executive/execord/eo1987/eo_313_1987.html
[39] Interviews with Taiwanese and Filipino government and military personnel, May-June 2024.

its arbitration case against Beijing, Duterte called the ruling "just a piece of paper" that he would "throw away"[40] to court PRC investments in the Philippines. During the Duterte administration, Manila did not push back as extensively on the PRC's encroachments in the West Philippine Sea. Duterte was also skeptical of the U.S. alliance with the Philippines. The current administration, led by Marcos, has rebalanced the Philippine foreign policy vector after Duterte's overcommitment to the PRC.

Marcos has reemphasized the importance of the U.S. alliance and has pushed back against PRC coercion in the West Philippine Sea, sparking renewed tensions between Manila and Beijing. The Marcos administration has also enhanced its cooperation with Washington by expanding the number of EDCA sites and accepting new U.S. military technology like the Typhoon missile. Joint exercises between the two militaries have also expanded in scale and scope, with training that resembles preparation for a Taiwan contingency response. [41] Marcos will lead the Philippines until 2028, which means that he will be in power during a critical timeframe for Taiwan. However, if the PRC delays any actions against Taiwan, the next president of the Philippines could very well occupy the pro-PRC foreign policy space, as the pattern suggests. The shift in Filipino public opinion of PRC coercion in the West Philippine Sea and its influence operations throughout the country may permanently shift the political discourse in the Philippines.[42] As a result, Duterte could be the last president to espouse a pro-PRC stance, and the body politic in Manila may remain firmly in the China-skeptic camp.

The vast swings in the foreign policy preferences of Malacañang since 2001 have not provided Taiwan with sufficient continuity to develop a meaningful relationship. The distrust from the Duterte years is particularly evident given his immense pro-PRC views. Duterte's detainment by the International Criminal Court, the eventual reveal of his crimes during the trial, and the pending impeachment trial of his daughter, current Vice President Sara Duterte, likely mean the end of the Duterte dynasty– and the end of his pro-PRC foreign policy leanings. Washington did not hesitate to cooperate with a more pro-U.S. president in Manila, and, considering the difficulty that Taipei generally faces in conducting high-level foreign affairs, it should not allow a "Duterte hangover" to impede it from seeking greater levels of cooperation.

In addition to its foreign policy swings, the foreign policy priorities of Manila are focused on the West Philippine Sea, not its northern waterways. Of course, the Taiwan Strait holds a higher level of importance for Taipei than the South China Sea. However, neither Manila nor Taipei has truly connected the security implications of the Taiwan Strait to those of the South China Sea, even though the two bodies of water flow directly into each other. The two countries' differing priorities do not necessarily create tensions, but they hamper opportunities for cooperation. One DPP member of the Legislative Yuan, when asked about reforming or changing Taiwan's South China Sea policy, stared blankly, said that the South China Sea was not a priority, and that no progress was possible with the Philippines. They then had nothing else to say on the topic.[43]

Both countries have limited resources to fund their militaries and coast guards, so Manila and Taipei cannot focus on every waterway in the region. They each need to make strategic decisions on their priorities. However, Manila's position has evolved amid greater coercion and activity in the waterways between southern Taiwan and the northern Philippines. The PLAN's regular transiting of the Luzon Strait and the Bashi Channel points to a future in which those waterways are blockaded or become a part of a war. This possible future has resulted in changes to the AFP. The Department of National Defense reorganized "Naval Forces West to Western Naval Command, and the Naval Forces Northern

[40] Patricia Lourdes Viray and Christian Deiparine, "'Just a piece of paper': Duterte says he will 'throw away' Philippines' arbitral win vs China," *Philippine Star*, May 6, 2021, https://www.philstar.com/headlines/2021/05/06/2096287/just-piece-paper-duterte-says-he-will-throw-away-philippines-arbitral-win-vs-china.

[41] Nick Aspinwall, "Philippines, US simulate mock invasions in largest ever war games," *Al Jazeera*, May 9, 2024, https://www.aljazeera.com/news/2024/5/9/philippines-us-simulate-mock-invasions-in-largest-ever-war-games.

[42] Bea Cupin, "View from Manila: China, West Philippine Sea as 2025 campaign issues," *Rappler*, February 17, 2025, https://www.rappler.com/philippines/elections/view-manila-china-west-sea-campaign-issue-2025/; Sebastian Strangio, "76% of Filipinos View China as Country's 'Greatest Threat': Survey," *The Diplomat*, June 7, 2024, https://thediplomat.com/2024/06/76-of-filipinos-view-china-as-countrys-greatest-threat-survey/; Adinda Khaerani Epstein, "The Philippines reshapes its policies on the U.S. and China," GIS, February 28, 2025, https://www.gisreportsonline.com/r/philippines-us-china-2/; Kathleen Magramo, "Philippines bans gambling operations catered to illicit Chinese players," *CNN*, July 23, 2024, https://edition.cnn.com/2024/07/23/asia/philippines-pogos-ban-illegal-gambling-intl-hnk/index.html; and Adam Nelson and May Butoy, "Philippines: Testing ground for Chinese influence operations," *Table*, January 6, 2025, https://table.media/en/china/opinion/philippines-testing-ground-for-chinese-influence-operations/.

[43] Interview DPP member of the LY, May 2024.

Luzon to Northern Luzon Naval Command."[44] The newly established Northern Luzon Naval Command will oversee "maritime security in the Panatag Shoal, Balintang Channel in the north facing Taiwan, and the Philippine (Benham) Rise in the east."[45] This reorganization occurred after Manila announced the opening of a new Philippines Coast Guard (PCG) station on Itbayat, which is located approximately 125 miles from southern Taiwan.[46] These moves—and statements coming from political leadership—demonstrate that the Philippines is taking the security of northern Luzon more seriously.

The two countries have different hopes with regard to specific areas of cooperation. For Taiwan, there is a desire to improve cooperation and dialogue in security, with more exchanges between the coast guards and navies of both countries. Those connections represent an immediate need, given the persistence of PRC coercion. However, Manila has a different approach: multiple policymakers and lawmakers have been clear about the desire for Taiwan to increase its economic investment in the Philippines first and then let the more complex issues– namely, security– come after.[47] Semiconductor investment is the most desired. But, there is openness for Taiwan to help develop critical infrastructure throughout the Philippines. Taiwan's New Southbound Policy has an economic engagement component, but such investments are complicated for Taiwanese companies. A Taiwanese Ministry of Foreign Affairs official based in Manila explained that, given Taiwan's international situation, Taiwanese private companies do not have as much experience bidding on and implementing such large-scale projects around the world, and that is particularly true in the Philippines.[48] Taiwanese companies have limited opportunities to successfully engage in the way that Manila wants. Beyond the difference in geographic priorities, both Taipei and Manila have different expectations of each other. Officials in each country provided similar messages—security in Taiwan and economics in the Philippines—but this clarity is lost when crossing the Luzon Strait and Bashi Channel.

Recommendations

This report has demonstrated the stark differences in priorities, policies, and viewpoints in Manila and Taipei on critical issues that prevent the unofficial bilateral security relationship from further developing. There are unilateral actions that Taiwan and the Philippines can take to reduce the impact of these obstacles. There is also space for the United States and Japan to facilitate stronger cooperation and contact between Taipei and Manila.

What Can Taipei Do?

Regarding greater ties between Taipei and Manila, the message from the Philippines is clear: "Help us help you." The Philippines has needs that Taiwan can attempt to meet, such as selling or donating old ships and aircraft to bolster the AFP. Taiwan can play a role in building the AFP's capacity, because when Taiwan's arms packages from the United States arrive, Taiwan decommissions its older assets. When Taiwanese and Filipinos meet at Track 2 dialogues, Taiwan should work towards streamlining the process by designating a stable partner. Switching between different think tanks– which broadens contacts between the two countries– has the downside of causing redundancy by repeating previous conversations and topics. Regularly switching between think tanks like Prospect Foundation, Institute for National Defense and Security Research (INDSR), and Taiwan Asia Exchange Foundation (TAEF), in addition to a rotation of U.S. think tanks, can potentially halt progress. In some respects, there has been progress in consistent partnership, with TAEF taking on many of the "softer" training topics, and INDSR serving a role on "hard" security topics. Trust and progress at this level take time to develop. Broader topics such as maritime safety, search and rescue, earthquake response, and counter-political warfare are areas for emphasis with the Philippines, as Taiwan has much to teach its southern neighbor in these areas. These topics are also less politically sensitive for the Philippines' Department of Foreign Affairs (DFA), which, despite MECO's placement under the Office of the President, still has a veto on Taiwan's requests

[44] Gabriel Pabico Lalu, "Naval revamp on West PH Sea will increase coordination – Tolentino," *Philippine Inquirer*, April 1, 2025, https://www.inquirer.net/434612/naval-revamp-on-west-ph-sea-will-increase-coordination-tolentino/.
[45] "Naval revamp on West PH Sea will increase coordination – Tolentino," https://www.inquirer.net/434612/naval-revamp-on-west-ph-sea-will-increase-coordination-tolentino/.
[46] Karen Lima, "Philippines builds coastguard station in islands near Taiwan," *Reuters*, May 24, 2024, https://www.reuters.com/world/philippines-builds-coastguard-station-islands-near-taiwan-2024-05-24/.
[47] Interview with Filipino officials, May-June 2024.
[48] Interview with Taiwanese official, May-June 2024.

for cooperation, Taiwanese officials entering the country, and Philippine officials entering Taiwan.[49] These strict guidelines were placed by Aquino, and Manila—unlike Washington—did not use creative approaches to work around them.

At the policy level, the Lai administration needs to elucidate a clear policy and view on the South China Sea. Taiwan is reluctant to engage on this topic because any changes to rhetoric or policy on Taiwan's territorial claims or views on the South China Sea will reverberate into cross-Strait relations. Beijing will interpret such changes as a DPP attempt at further de-Sinicizing Taiwan and amending the constitution. One path forward for the Lai administration is to maintain its commitment to the United Nations Convention on the Law of the Sea (UNCLOS). Taiwan can root its position through UNCLOS unilaterally and remain firm in maintaining its current holdings in the South China Sea, while promising not to expand into other claimants' holdings and repudiate the PRC's expanded nine- and 11-dash lines. PRC overreach with the newer 11-dash line provided Taipei with an opening to amend its South China Sea position, but this did not happen. The Lai administration does not need to backtrack and fully accept the 2016 ruling, but it should reconsider the Ma-Tsai absolutist position that outright rejected every part of the ruling. The Lai administration can reject the ruling on the status of Taiping Island and simultaneously reduce its traditionally expansive claims to the region. Whatever happens, the Lai administration needs to develop a policy on the South China Sea to firmly establish Taipei's position in the event that Manila brings another arbitral case forward against the PRC. Such a case would provide the Lai administration with an opening to decide what sort of actor it wants to be in the South China Sea. It is likely too much of a stretch to suggest that Taiwan join the ongoing Philippines-Vietnam dialogue on cooperation and reducing tensions on their competing claims in the South China Sea, but Taipei can still signal openness to joining any efforts to reduce tensions, thereby marking a different position from Beijing.

Beyond the South China Sea, the Lai administration needs to develop a clearer tactic on connecting security in the Taiwan Strait—and thus the broader cross-Strait relationship—with the security of the Philippines via the Bashi Channel and Luzon Strait. The waterways that are important for Taiwan are also important for the Philippines. A quarantine, blockade, or conflict in the Taiwan Strait will not be limited to that specific waterway. Rather, there will be an immediate spillover into the South China Sea, West Philippine Sea, Luzon Strait, Bashi Channel, and Philippine Sea—all maritime domains critical to the economic well-being of the Philippines. There is no limited blockade or conflict restricted to the Taiwan Strait. The PLA's military exercises around Taiwan and PLA transits of the Bashi Channel and Luzon Strait have amply demonstrated this point. It has taken time for Manila to fully appreciate these connections, but Taipei has not yet made this argument explicitly. Taipei must espouse a clearer security angle when making policy statements to the Philippines. And the angle is obvious: war over Taiwan will destroy Philippine security and trade.

At the legislative level, the Legislative Yuan should work to enhance cooperation with the Philippine Senate and House through the Taiwan-the Philippines Parliamentary Friendship Association, which was established in February 2024.[50] The fact that the group was only established in 2024 demonstrates the lack of previous interest in legislative exchange and cooperation. The association should initiate a delegation visit to the Philippines after the Philippine mid-term elections in May 2025. A new term for the legislators in the Philippines is a perfect time for Taiwanese LY members to facilitate new relationships. To reduce the purely political nature of such a prospective visit and to demonstrate Taiwanese interest in economic opportunities in the Philippines, private companies should also participate in the delegation visit, as is customary for such visits. The new Luzon Economic Corridor should provide opportunities for Taiwanese business investment. The easing of restrictions on Taiwanese travel to the Philippines on April 15 should be immediately taken advantage of to demonstrate interest from Taipei in fostering better relations.

[49] Interview with Taiwanese and Filipino officials, May-June 2024.

[50] Yang Cheng-yu and Jonathan Chin, "DPP lawmakers launch Asian amity associations," *Taipei Times*, February 21, 2024, https://www.taipeitimes.com/News/taiwan/archives/2024/02/21/2003813856; and "Deputy Secretary-General Chang Attends the Inauguration of Taiwan-Thailand Inter-Parliamentary Amity Association, Taiwan-Indonesia Parliamentary Friendship Association, Taiwan-Malaysia Parliamentary Friendship Association, Taiwanese New Immigrants Rights Advocacy Committee, Taiwan-Vietnam Parliamentary Friendship Association, Taiwan-the Philippines Parliamentary Friendship Association, and Taiwan-New Southbound Policy Countries Parliamentary Amity Association," Legislative Yuan, Republic of China (Taiwan), February 20, 2024, https://www.ly.gov.tw/Pages/Detail.aspx?nodeid=45579&pid=239396.

What Can Manila Do?

The most important action that Manila can take starts with President Marcos. He should announce two actions: a new interpretation of the Philippines' One China Policy and the launch of a Taiwan policy review across all governmental agencies and departments. The interpretation of the One China Policy is at the president's behest. Arroyo was the last president to seriously change Manila's engagements with Taipei. The situations in the Taiwan Strait and South China Sea have changed drastically since then, as has PRC coercion of the Philippines. The logic for such action is that the PRC has violated the 1975 joint communique, which states,

The two Governments agree to settle all disputes by peaceful means on the basis of the above-mentioned principles without resorting to the use or threat of force. The two Governments agree that all foreign aggression and subversion and all attempts by any country to control any other country or to interfere in its internal affairs are to be condemned. They are opposed to any attempt by any country or group of countries to establish hegemony or create spheres of influence in any part of the world. . . . The Government of the People's Republic of China recognizes the Government of the Republic of the Philippines and agrees to respect the independence and sovereignty of the Republic of the Philippines. The two Governments recognize and agree to respect each other's territorial integrity.[51]

Given the PRC actions in the South China Sea are in clear violation of the spirit of the communique, Manila has grounds for taking greater action beyond changing the interpretation of its One China Policy on officials' ability to engage with their Taiwanese counterparts.

The ban on formal Track 1 engagement should cease, and the DFA's "brick wall"[52] on Taiwanese requests should be eliminated. The Marcos administration announced an easing of the Aquino-era restrictions from Executive Order 313 by allowing Taiwanese government officials to enter the Philippines (except the president, vice president, minister of foreign affairs, and minister of national defense).[53] The Marcos administration memorandum does not completely repeal the 1987 order, but it does represent a necessary first step for better engagement with Taiwanese politicians, military personnel, and government officials. Announcing an easing of restrictions is one issue, but allowing for Philippine officials or military personnel to travel to Taiwan and vice versa is an entirely separate issue that the Marcos should now follow through on.

The AFP has attempted to work around the DFA's role in preventing better exchanges from developing, but even the AFP must have high-level permission to engage with their Taiwanese counterparts.[54] Other countries with similarly worded One China Policies, such as Japan, do not self-limit in the same way as the Philippines. A directive must come from the top to eliminate antiquated restrictions in the face of a new security situation in the Philippines' north. This effort should be followed by a complete review of how Manila engages with Taiwan. Such a review should designate departmental responsibilities, decision-making capabilities, arms and defense cooperation, general barriers to fix, and successes to emulate. After such a review is conducted at the governmental level, Marcos should consider moving MECO into the DFA. The placement of MECO under the presidential office does not reflect reality, and other countries used to have a similar set-up by having diplomatic officials technically resign from their posts to serve in Taipei. Moreover, Manila should initiate a review of the role and impact of the security situation in the Taiwan Strait on the Philippines and its key waterways, the Bashi Channel and Luzon Strait. The full impact of any set of Taiwan contingencies should be thoroughly studied to provide a more solid logic for any potential policy changes vis-à-vis Taiwan.

While Manila has been clear that it seeks economic investment with Taiwan before implementing changes on harder issues, the lack of meaningful investment in the Philippines is not entirely Taiwan's fault. MECO is responsible for facilitating such economic interests, but its primary focus is on OFWs and tourism.[55] Given the DFA's reluctance to allow Taiwanese officials into the Philippines, it is difficult

[51] "Joint Communique of the Government of the People's Republic of China and the Government of the Republic of the Philippines (1975)," https://en.wikisource.org/wiki/China_Philippines_Communique_Establishing_Diplomatic_Relations.

[52] Interview with Taiwanese official, May-June 2024.

[53] Luisa Cabato, "Malacañang eases Taiwan visit ban for most government officials," *Philippine Inquirer*, April 21, 2025, https://globalnation.inquirer.net/273434/malacanang-eases-taiwan-visit-ban-for-most-government-officials; and Jean Mangaluz, "Marcos eases Cory-era Taiwan travel restrictions for Philippine officials," *Philippine Star*, April 21, 2025, https://www.philstar.com/headlines/2025/04/21/2437290/marcos-eases-cory-era-taiwan-travel-restrictions-philippine-officials.

[54] Interview with Filipino official, May-June 2024.

[55] Interview with Filipino official, May-June 2024.

for Taiwan to develop relationships to facilitate economic investment. The way that the DFA treats TECO employees and officials seeking to visit the Philippines has resulted in frustration in Taipei, which prevents greater resources from being dedicated to stronger cooperation and collaboration with Manila.[56] If the Philippines is serious about economic engagement with Taiwan, then Manila could provide specific opportunities where a Taiwanese presence would be welcome, as many Taiwanese companies cannot carry out large-scale overseas projects due to Taiwan's international situation.[57] Manila wants to become a part of the semiconductor manufacturing ecosystem, but such an investment from TSMC or other companies is a long way off.

The Philippine House and Senate should reciprocate the effort by Taiwan's LY and create their own Philippines-Taiwan Friendship Caucus. A similar friendship association in Manila would reduce potential barriers for the Taiwanese to send a delegation to Manila and vice versa. Senator Risa Hontiveros traveled to Taipei in May 2023 to meet President Tsai.[58] Hontiveros' visit was a rare trip by a Filipino legislator to Taiwan. Even though the annual Inter-Parliamentary Alliance on China (IPAC), a group of legislators from around the world "united in the belief that only by standing together and demanding accountability from China, will democratic countries uphold the rules-based system,"[59] summit took place in Taipei in 2024, none of the Philippine members of the alliance—Rep. Adrian Amatong, Sen. Loren Legarda, and Rep. Rufus Rodriguez attended (no members from the United States attended either).[60] After the May 2025 mid-term elections, Hontiveros and other legislators should create a Taiwan-focused friendship association to facilitate a legislative-level group to propose new avenues of cooperation under the New Southbound Policy.

What Can Washington Do?

Washington has immense leverage in fostering closer unofficial ties between Taiwan and the Philippines. The United States' government, military, think tanks, and non-governmental organizations can serve as conveners to bring both sides together. Given the limitations on Filipinos entering Taiwan or Taiwanese entering the Philippines from the DFA, it is easier for the two sides to meet in third-party locations, like the United States or Japan. Despite the unpredictability of the Trump administration's foreign policy, Washington and American organizations will remain the strongest conveners for the foreseeable future. The U.S.-Philippine mutual defense treaty and its strong unofficial partnership with Taiwan have created decades of trust and interactions that Americans can leverage to bring Taiwanese and Filipinos together. Both sides of the Luzon Strait gave similar messages on this fact. However, that ability will be curbed with the reduction in federal funding for such organizations, so opportunities for US-mediated dialogue might be fewer over the next few years.

Beyond making connections, Washington's existing defense and coast guard cooperation with both Taipei and Manila can also serve as a way to bring the two sides together in stronger ways. Currently, Washington has a U.S.-Taiwan Coast Guard working group and strong cooperation with the PCG, and the PCG and Taiwan Coast Guard also have existing cooperation. However, there is no formal trilateral agreement between all three countries' coast guards. Washington can work towards (1) pushing Taipei and Manila to complete a bilateral coast guard memorandum of understanding (MoU) or (2) negotiating a trilateral coast guard MoU, focused on the waterways between southern Taiwan and the northern Philippines. Such an agreement or informal trilateral training and cooperation is a stepping stone to more serious defense cooperation. Coast guard cooperation is easier to facilitate, as those interactions can focus on non-political and non-security issues related to search and rescue, humanitarian assistance, and disaster relief. All parties can agree that the Coast Guard is the gateway to defense cooperation.

Finally, a critical issue that has come to a head since the August 2022 PLA military exercises around Taiwan is U.S. expectations of the role of the Philippines in a Taiwan contingency. U.S. officials have not been clear about what Washington *wants* Manila to do, let alone what Manila *can* do. After all,

[56] Interview with Taiwanese official, May-June 2024.
[57] Interview with Taiwanese official, May-June 2024.
[58] "President Tsai meets Senator Risa Hontiveros of the Philippines," Office of the President of the Republic of China (Taiwan), May 12, 2023, https://english.president.gov.tw/News/6516.
[59] "About," Inter-Parliamentary Alliance on China (IPAC), https://www.ipac.global/about.
[60] "IPAC condemns PRC interference in its Taipei Summit," Inter-Parliamentary Alliance on China, July 28, 2024, https://www.ipac.global/news/ipac-condemns-prc-interference-in-its-taipei-summit-announces-network-expansion-in-bri-strongholds; and Joshua Wilkes, "IPAC Taipei 2024: Day One," *Domino Theory*, July 29, 2024, https://dominotheory.com/ipac-taipei-2024-day-one/.

according to the Lowy Institute's 2024 Asia Power Index, the Philippines' comprehensive power is ranked 15th in the Indo-Pacific (moving up one slot from 2023), which is one slot after Taiwan. Both countries are classified as "middle powers" in the index. The Philippines is ranked 17th for "military capability," and Taiwan is ranked 11th in "military capability."[61] Is the Philippines just going to be a staging ground for U.S. arms waiting for transfer to Taiwan? Will it be a staging ground for American troops heading into Taiwan? Will Philippine vessels participate in combat operations, or just humanitarian relief? Will Philippine troops be on the ground in Taiwan? Is the mere possibility of any of these options enough to complicate PRC planning? These questions need to be asked by the United States and answered by the Philippines before a contingency occurs. Statements by Marcos and Brawner over the last three years have hinted at the Philippines doing *something*. However, expectations have not been set on either side.[62] A convention hosted by the United States on these questions is greatly needed, as the future of the alliance is at stake.

What Can Tokyo Do?

If the Trump administration reduces its commitment in the region or its unpredictability creates distrust inside its alliance network, Tokyo is well-positioned to take a regional lead. Though it would not necessarily be able to fill in the gap left by the United States, Tokyo is a trusted partner in both Taipei and Manila. Conversations in Manila regarding the security of Taiwan and the effect of a Taiwan contingency on Philippine national security are reminiscent of prior conversations on the same topics in Tokyo years ago. Now, Tokyo is clear about the connection between Taiwan's security and Japan's security: "Regarding peace and stability across the Taiwan Strait, concerns are mounting rapidly, not only in the Indo-Pacific region, including Japan, but also in the entire international community."[63] Given PRC activity around southern Taiwan, the Philippines is moving in a similar direction, albeit at a different pace and with lower levels of military capability. Japan has worked towards bolstering its ties directly with the Philippines since Marcos took office, and this bilateral engagement could result in greater opportunities for Taiwan. In the absence of American leadership in the region, Tokyo can play a role in coast guard partnerships by facilitating a trilateral agreement between Tokyo, Taipei, and Manila. Each country's coast guard faces similar issues: all are island nations targeted by PRC aggression and coercion, and can also stand to collaborate on disaster assistance and humanitarian relief. An issue for Tokyo to consider– but which is unlikely to gain momentum given the varying levels of trust between the countries– is to develop an intelligence-sharing mechanism (not to mention upgrading Taiwan and the Philippines' radar capabilities) for greater monitoring of PRC activity around each country. A PRC military aircraft or vessel utilizing one of the strategic waterways bordering Taiwan (and thus bordering Japan or the Philippines) will certainly interest each country and its military. A PRC aircraft carrier transiting through the Luzon Strait may eventually end up transiting the Miyako Strait. The greater situational awareness that all three countries have of PRC military movements, the better off each country will be. Since Taipei and Tokyo publicly release most PRC movements around their countries, such information sharing should not be a far-fetched idea. The first island chain needs greater coordination before information sharing is required in a contingency.

Conclusion

The unofficial Philippines-Taiwan relationship has immense room for growth in the face of a less globally reliable United States and a more assertive PRC. Understanding the state of the relationship and identifying prominent obstacles to improving ties is a critical step. Since 2022, there has been a growing public and private acknowledgment in Manila and from the country's civilian and military leadership that the Philippines must be prepared for any Taiwan contingency. The most recent statements occurred in response to an April 2025 military exercise. These statements serve a number of purposes: they are a warning to Beijing that a limited blockade or cross-Strait conflict is a global danger; a sign to Washington that the Philippines is open to discussion on its role in a contingency; and a signal to Taiwan on possible avenues for cooperation. These public signals should be taken seriously in Taipei as opportunities for greater bilateral engagement. A stronger coast guard relationship, which already exists with a Taiwanese

[61] "Asia Power Index 2024 Edition," Lowy Institute, 2024, https://power.lowyinstitute.org/countries/.

[62] Interview Filipino and U.S. officials and researchers, May 2024 & March 2025.

[63] "National Security Strategy of Japan," Ministry of Foreign Affairs of Japan, December 2022, p. 8, https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf.

Coast Guard contingent visiting the Philippines,[64] is one path to a more robust unofficial defense relationship.

Both the Philippines and Taiwan harbor distrust and negative public opinion of the PRC as a result of military coercion and aggression in their respective foreign policy priority areas. Taipei should harness those feelings in Manila and throughout the Philippines. Taiwan has not yet successfully connected the two theaters (the South China Sea and Taiwan Strait), and the related threats posed to the Philippine people.

Efforts at strengthening the bilateral relationship come with a cost, but that cost already exists in the Philippines: a more concrete fear that the Philippines would become a target in a cross-Strait conflict due to Manila's support for Taiwan and U.S. assets stored at EDCA sites. Whether or not Manila becomes more public in its support for Taiwan, those sites will still be targets. There is no possibility of a limited cross-Strait conflict in the event that the U.S. military gets involved. Once the U.S. military acts on behalf of Taiwan and the PRC begins to strike U.S. assets, bases, or even the homeland, every U.S. ally in the region will need to make a decision: back the United States or risk losing its security guarantee. Leaders in Manila are already debating these decisions. And it may be the most important decision Marcos will ever make.

[64] Conversation with U.S. journalist, February 2025.

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4

US-East Asia Semiconductor Cooperation: Advancing Sustainable Partnerships

Joon Sung Lee

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By
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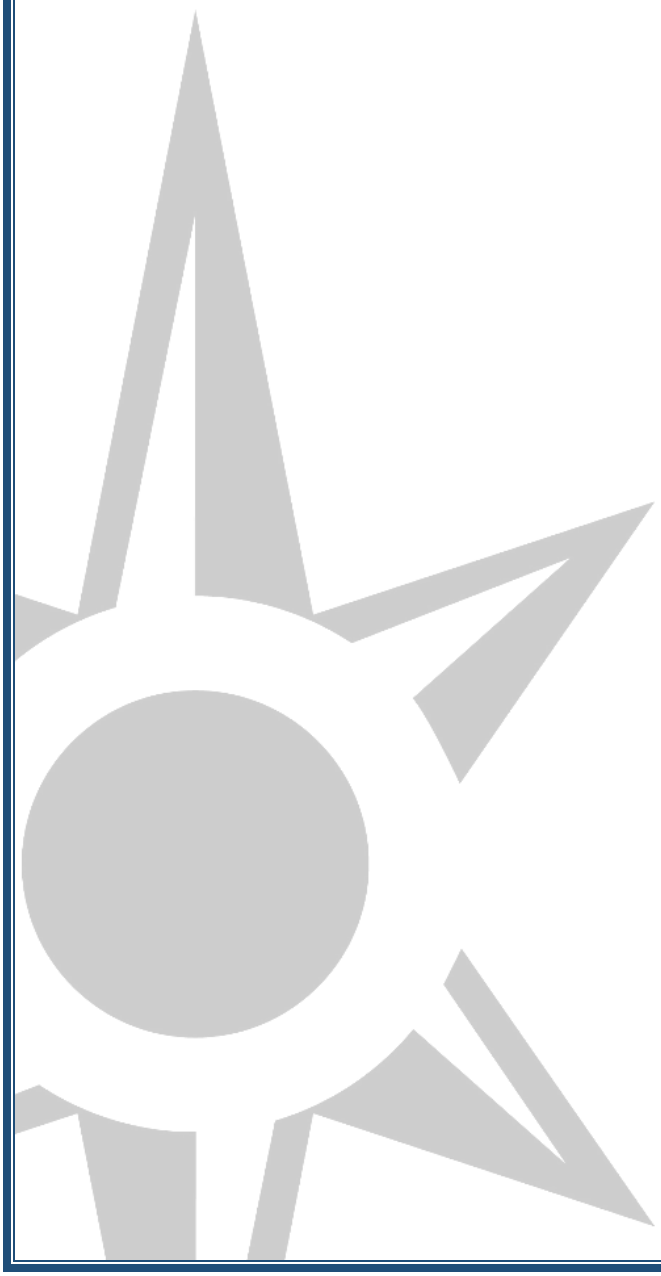

Executive Summary

Joon Sung Lee

The semiconductor industry lies at the heart of the US-China strategic competition, with advanced technologies shaping the future of economic and military dominance. The US has implemented robust measures, including export controls and domestic investments under the CHIPS and Science Act, to curtail China's technological advancement while securing its own leadership in cutting-edge chip production. However, the success of this strategy hinges on sustained cooperation with key East Asian allies—Japan, South Korea, and Taiwan—whose established roles in the global semiconductor ecosystem are indispensable.

This paper aims to identify key challenges and opportunities that the US-East Asia semiconductor partnership could face. One such challenge is the geopolitical tightrope that these allies must walk as they balance economic ties with China against security commitments to the US. China's ability to inflict economic retaliation, including potential trade disputes and restrictions on critical raw materials, further complicates these relationships. Within East Asia, the subsidy race has exposed disparities in support among partners. Furthermore, the US's growing domestic manufacturing ambitions risk fostering competition between the US and its allies. Finally, China's determination, underscored by state-backed advancements like SMIC's 7nm chip production, highlights its ability to innovate despite external pressures, posing a persistent long-term threat.

Despite these challenges, opportunities exist to deepen the US-East Asia partnership, as strong mutual dependency offers leverage to craft policies that promote shared benefits while countering China's advances. The US can strengthen trust by fostering greater geopolitical coordination, harmonizing export controls, and building resilient supply chains. Moreover, initiatives such as the Chip Four initiative provide a platform for addressing disputes and aligning strategies.

This report concludes that while the US has made strides in bolstering its semiconductor strategy, ensuring a cohesive and resilient partnership with East Asian allies will be critical. A sustainable framework that prioritizes inclusivity, reciprocity, and mitigates vulnerabilities is essential to achieving long-term success in this technological competition.

Introduction

Amid China's unprecedented economic and military expansion, the US-China strategic competition has become centered around advanced technologies, which are becoming increasingly crucial in both economic and military arenas. The US has diagnosed semiconductors as the foundation of next-generation innovation and has sought to restrain China's capabilities while bolstering its own. Through export controls on semiconductor and manufacturing equipment, the US aims to block China's shortcut to technological advancement and force it to develop capabilities step by step. Simultaneously, the CHIPS and Science Act (CSA) represents a major effort to reduce dependence on foreign supply chains and reinforce US leadership in advanced technology.

However, the global semiconductor ecosystem is deeply interdependent, with labor and production distributed for maximized efficiency. Thus, although the US can force the direction of the ecosystem with its political and economic influence, support from major players within the industry is essential for the US to achieve meaningful results in the technological competition. Fortunately, the other major players in the semiconductor industry are East Asian countries that have long cultivated partnerships with the US, including Japan, South Korea, and Taiwan. Until now, these East Asian countries have been generally supportive, providing an optimistic outlook for US semiconductor policy goals.

For the East Asian partners, the economic, technological, and security advantages that can be gained by cooperating with US policies have promoted a cooperative attitude. On the economic and technological side, it is important to note that the US holds significant strength in upstream technologies, which include chip designing and manufacturing equipment.[1] Thus, even though the US has outsourced chip manufacturing to foreign companies, its position as a major customer, along with the foreign companies' reliance on US licenses for producing existing products and developing new ones, have provided the US a foundation to gain support.[2] In addition, security partnerships play a vital role in maintaining cooperation. Taiwan's reliance on US support to manage tensions with China, and South Korea's strategic reliance on the US for deterrence against North Korea, further align their interests with American policies. Similarly, Japan, as a key Pacific ally, shares deep security ties with the US and is inclined to reinforce its participation in the semiconductor partnership.

Nonetheless, as President Trump returned to the Oval Office, uncertainty in US policies poses a risk to the semiconductor partnership, and future policy shifts toward protectionism could strain relationships. When pursuing US economic security policies, the Biden administration emphasized promotion, protection, and partnerships, which provided diplomatic buffers to seek cooperation with allies.[3] However, President Trump has introduced a new wave of unilateral US actions and perceived inequities in policy implementation. Future tensions arising from internal conflicts within the semiconductor partnership may lead East Asian countries to adopt strategic inaction, weakening the effectiveness of multilateral frameworks. This potential risk should be addressed carefully, given that China is dedicated to continuing its indigenization effort against encirclement in the semiconductor industry.

While strong mutual dependency ensures a bottom line for the semiconductor partnership, the US should aim to foster more ideal partnerships that don't treat partners as mere followers. The US should come up with policies where partners would become allies who resonate with US goals, actively develop strategies, and cooperate to implement these strategies, creating pragmatic outcomes. The intensity of the cooperation within the partnership will determine the effectiveness of semiconductor policies. If a loose containment allows China's semiconductor ambitions to show signs of success, then US policies may fail to achieve their intended goals. Moreover, if China's semiconductor rise gains momentum, the US could resort to more hardline measures that may harm its partners as well, potentially weakening the US-East Asia partnership

[1] Chad P. Bown. How Trump's export curbs on semiconductors and equipment hurt the US technology sector. Peterson Institute for International Economics (PIIE). Sept. 28, 2020. Accessed Oct. 8, 2024. https://www.piie.com/blogs/trade-and-investment-policy-watch/how-trumps-export-curbs-semiconductors-and-equipment-hurt

[2] Richard Elkus Jr. A Strategy for the United States to Regain its Position in Semiconductor Manufacturing. CSIS. Feb. 13, 2024. Accessed Sept. 16, 2024. https://www.csis.org/analysis/strategy-united-states-regain-its-position-semiconductor-manufacturing

[3] Navin Girishankar. "Resolving the Emerging Economic Security Trilemma." Pg.5. Center for Strategic & International Studies. Oct. 24, 2024. Accessed Dec. 4, 2024. https://csis-website-prod.s3.amazonaws.com/s3fs-public/2024-10/241029_Girishankar_Staying_Ahead.pdf?VersionId=1EYpiSr4x3f9YAm1nvBvKzJCbQJQe0or

further and creating a dilemma for all parties involved.

Five Challenges for Sustainability

When the global supply chain was at risk during the pandemic, many professionals claimed that the weakest link determines the chain's stability. This is analogous to the US and its East Asian allies' encirclement against China. As Dr. John Edwards states, "the US denial of advanced chips to China is unusual in that the US must act through other countries because it does not produce the chips it wishes to prevent China producing or acquiring." [4] A single participant opting out from its support would lead to critical outcomes, and this paper analyzes the potential factors that may lower the allies' motivation to strengthen their commitment.

1. Geopolitical Risks

East Asian countries maintain close ties with the US in various aspects, but China, as a geographically proximate and economically significant power, also holds substantial influence over them. As a result, allied countries wish for the US to contain China's regional influence to some extent but are simultaneously cautious about any excessive escalation of conflict between the two superpowers. Nonetheless, intensifying US-China relations over semiconductors have forced East Asian countries to walk a tightrope, even though they understand that aligning with American policies to counter China comes with significant costs.

As Taiwan seeks to follow US policies, these costs were presented in their most obvious form: an increased security risk generated by intensified cross-Strait relations. President Lai Ching-te, who was inaugurated in May 2024, already faced two large-scale Chinese military exercises against Taiwan before the end of the year. [5] Whether China would launch a military invasion remains a topic of ongoing debate, as it is difficult for anyone outside of the decision makers to predict if the Chinese Communist Party (CCP) would be willing to bear the political responsibility for a failed attempt to retake Taiwan. However, there is a very high likelihood that China will continue to employ gray-zone tactics against Taiwan, to secure a favorable position in negotiating cross-Strait matters with the US by holding the key in managing the level of tensions, and to undermine Taiwan's willingness to align with future US policies targeting China. As there are predictions that the level of Chinese provocations will escalate in 2027 as the People's Liberation Army approaches its centennial, [6] Taiwan's willingness to adopt US policies might soon be tested. Considering this looming threat over Taiwan, the US efforts to reshore chip manufacturing could also become a factor undermining Taiwan's security. [7] If the US effort for semiconductor sovereignty further strengthens in the long-term, it may threaten Taiwan's position as an irreplaceable partner and weaken the concept of the "silicon shield," ultimately increasing Taiwan's vulnerability.

Along with China's potential aggression, the Trump administration's unique view on security alliances presents another geopolitical risk. The Trump administration's view of security alliances as leverage for negotiation, rather than as cooperative frameworks toward shared strategic goals, creates additional uncertainty in US-East Asia partnerships. During his presidential campaign, President Trump likened the US policy of defending Taiwan to an insurance policy, stating that Taiwan should bear the cost and increase its defense budget. In response, Taiwan stated that it would be difficult to raise its defense spending, currently at 2.6% of GDP, to the 10% level demanded by President Trump. [8] He also criticized wealthy countries like South Korea for not paying their fair share of security contributions. To avoid contentious defense cost-sharing discussions with President Trump, South Korea renewed its 12th Special Measures Agreement in November 2024– earlier than usual– for $1.14 billion annually over five years. [9] However, with the Republicans having an

[4] John Edwards. Chips, subsidies, security, and great power competition. Lowy Institute. May 28, 2023. Accessed September 21, 2024. https://www.lowyinstitute.org/publications/chips-subsidies-security-great-power-competition

[5] Ben Blanchard and Yimou Lee. China ends war games around Taiwan, but leaves door open to more. Reuters. Oct. 14, 2024. Accessed Oct. 29, 2024. https://www.reuters.com/world/asia-pacific/china-starts-new-round-war-games-near-taiwan-2024-10-13/

[6] Will China Invade Taiwan? A Potential Timeline for Conflict. Global Guardian. Feb. 8, 2024. Accessed Oct. 5, 2024. https://www.globalguardian.com/global-digest/will-china-invade-taiwan

[7] David Sacks and Seaton Huang. Onshoring semiconductor production: national security versus economic efficiency. Council on Foreign Relations (CFR). April 17, 2024. Accessed Sept. 19, 2024. https://www.cfr.org/article/onshoring-semiconductor-production-national-security-versus-economic-efficiency

[8] Wu Che-yu, Liu Wan-lin, and Jake Chung. Trump's 10% defense demand panned. *Taipei Times*. Oct. 3, 2024. Accessed Nov. 11, 2024. https://www.taipeitimes.com/News/taiwan/archives/2024/10/03/2003824726

[9] Kim Seung-yeon. S. Korea, US sign defense cost-sharing deal ahead elections. Yonhap News Agency. November 4, 2024. Accessed Nov. 11, 2024. https://en.yna.co.kr/view/AEN20241104010200315

upper hand in the US Congress, South Korea may still face challenges in addressing the gap, even by alternative means, should President Trump push for his proposed annual $10 billion contribution.

While it may be challenging for US partners to realistically align with America's demands, the pressure on them is bound to grow. President Trump prefers resolving issues through direct dialogue with national leaders, particularly by actively pursuing discussions with adversaries that could draw political spotlight. Thus, during President Trump's second term, it is highly likely that the US would seek summits with China and North Korea. However, given that the current Taiwan and South Korean administrations have not made significant efforts toward normalizing relations with these nations, the US administration would likely act independently rather than establish dialogue channels through partners. When the summits with China and North Korea become apparent, America's partners will ultimately bear the costs of voicing their opinions, to ensure that their perspectives are not overlooked by President Trump. Nonetheless, if the US continues to fail to proactively consider its partners' concerns and pursues foreign policies based solely on numerical interests, it risks losing the trust of its partners. This could, in turn, threaten the sustainability of long-term partnerships aimed at countering China's ambitions in the semiconductor industry.

2. Economic Loss

The US policy of restricting China's access to specific semiconductor-related items has caused leading semiconductor companies to lose a portion of their market share in China. Consequently, the US semiconductor export control policy has led to a decline in the performance and stock prices of American semiconductor firms. Furthermore, due to expectations that any new partnerships formed with other Chinese companies will soon be blocked by the US government, these firms are reluctant to fill the created market gaps. [10] Such corporate practices suggest that semiconductor companies will gradually lose their market presence in China, and combined with Chinese policies that seek to increase the usage of China-made semiconductors over US ones, their long-term revenue could be impacted if alternative markets are not found. In addition to losing access to the Chinese market, the US and its partners face two economic risks: potential economic retaliation from China, which dominates a significant portion of the global market and rare earth supply chains, the prospect of difficult trade negotiations with President Trump, who refers himself as the "tariff man."

From China: China has increasingly employed trade disputes as a diplomatic tool in recent years. However, it has yet to secure a decisive advantage in the ongoing chip war and has so far refrained from implementing export controls with a major impact on the US and its allies. In July and October 2023, China imposed export restrictions on gallium, germanium, and graphite —materials critical to semiconductor manufacturing and advanced technologies. These measures were followed by additional controls in December 2024 on a broader range of dual-use items and chemical elements, including antimony and hard alloys. In February 2025, the scope was further expanded to include tungsten, tellurium, indium, and other key materials. Given China's dominant role in the global supply of these resources, these actions raised concerns about potential disruptions to international supply chains.

Despite such fears, the restrictions to date have largely been limited to requiring export notifications,[11] and key materials such as gallium and germanium have still been reaching the US through indirect trade routes. [12] However, the Chinese government recently announced plans to strengthen oversight by intensifying customs inspections and cracking down on smuggling, signaling a more assertive posture toward strategic mineral exports.[13] China's increased regulatory scrutiny over materials linked to advanced technologies has heightened the need to monitor emerging risks in global supply chains and has served as a strategic warning to the US and its partners: export controls could be escalated at any time, contingent on future developments in the semiconductor competition.

[10] Matteo Crosignani, Lina Han, Marco Macchiavelli, and Andre F. silva. The anatomy of export controls. Federal Reserve Bank of New York. April 12, 2024. Accessed Oct. 9, 2024. https://libertystreeteconomics.newyorkfed.org/2024/04/the-anatomy-of-export-controls/

[11] Cullen S. Hendrix. China's export controls on critical minerals aren't starving the United States–at least so far. PIIE. October 31, 2024. Accessed Nov. 5, 2024. https://www.piie.com/blogs/realtime-economics/2024/chinas-export-controls-critical-minerals-arent-starving-united-states

[12] Sarah Godek. China's Germanium and Gallium Export Restrictions: Consequences for the United States. March 19, 2025. Accessed April 5, 2025. https://www.stimson.org/2025/chinas-germanium-and-gallium-export-restrictions-consequences-for-the-united-states/

[13] Wang Keju. Nation strengthens control to stop illegal outflow of strategic minerals. *China Daily*. May 13, 2025. Accessed May 15, 2025. https://www.chinadaily.com.cn/a/202505/13/WS68228b3ea310a04af22bee01.html

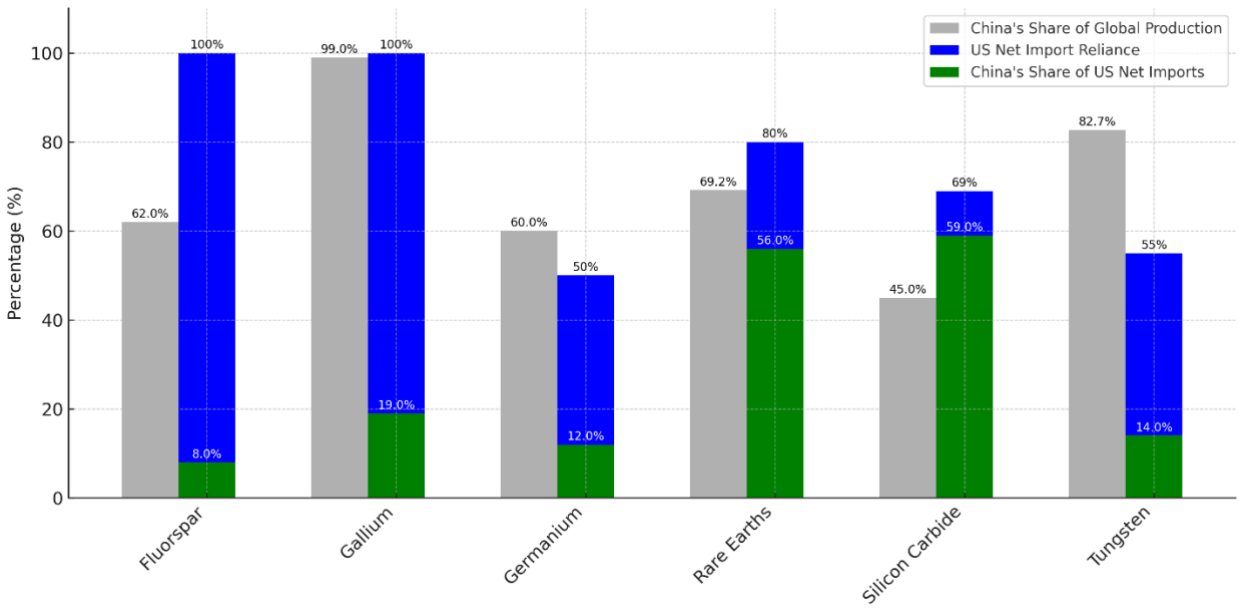

Figure 1. China's Influence on US Semiconductor Mineral Supply Chains (Avg. 2020-2023)
[Source] US Geological Survey: Mineral Commodity Summaries 2025[1]

This warning was underscored in December 2024, when the US announced export controls on High Bandwidth Memory (HBM) semiconductors. In response, China immediately intensified its export restrictions on rare earth minerals, including a ban on the export of four dual-use items–gallium, germanium, antimony, and graphite–to the US.[14] The ban also extends to third-country companies transferring these materials from China to US firms after acquisition. While China has long criticized US transshipment restrictions targeting Chinese exports, this marks the first instance of Beijing applying such measures itself.[15] Concerns are mounting that China could further expand its export control framework in the future. Starting December 1, 2024, China implemented new export control regulations, including a Control and Watch List system akin to the US Unverified List and Entity List under the Export Administration Regulations (EAR).[16] China's efforts to reorganize and modernize its customs processes send a signal that is far from positive for the US semiconductor partners.

Adding to the potential threat of export controls, China has begun regulating US companies. In 2023, the Cyberspace Administration of China decided that operators of critical infrastructure in China must cease procuring products from Micron Technology, as it had failed a cybersecurity review.[17] Furthermore, in December 2024, the State Administration for Market Regulations announced an antitrust investigation into Nvidia.[18] In the same month, China's four major industry associations issued a statement expressing their efforts to prioritize purchasing Chinese-made chips over "unsafe" US chips. This chain of actions signals China's intent to create an increasingly uncooperative market environment for US companies.[19] Moreover, China's series of measures implies that companies adhering to US export controls could face punitive actions in the Chinese market. While US firms leading these policies are the immediate targets, the escalating pressure raises concerns that foreign companies participating in these policies could also become vulnerable in the future.

[14] Gracelin Baskaran and Meredith Schwartz. "China imposes its most stringent critical mineral export restrictions yet amidst escalating US-China tech war." CSIS. Dec. 4, 2024. Accessed Dec. 6, 2024. https://www.csis.org/analysis/china-imposes-its-most-stringent-critical-minerals-export-restrictions-yet-amidst

[15] Keith Badsher. China just showed Washington how it plans to fight the next trade war. *The New York Times*. Dec. 4, 2024. Accessed Dec. 10, 2024. https://www.nytimes.com/2024/12/04/business/china-us-trade-export-controls.html

[16] Giulia Interesse. China Issues New Export Control Regulations: What Businesses Need to Know? Dezan Shira and Associates. Oct. 23, 2024.Accessed Nov. 12, 2024. https://www.china-briefing.com/news/china-issues-new-export-control-regulations/

[17] Matthew Reynolds. Micron aggression: the right response to Beijing's ban on the US chipmaker. CSIS. June 22, 2023. Accessed Dec. 6, 2024. https://www.csis.org/analysis/micron-aggression-right-response-beijings-ban-us-chipmaker

[18] Liam Mo and Brenda Goh. China targets Nvidia with antitrust probe, escalates US chip tensions. Reuters. Dec. 10, 2024. Accessed Dec. 12, 2024. https://www.reuters.com/technology/china-investigates-nvidia-over-suspected-violation-antimonopoly-law-2024-12-09/

[19] Reva Goujon and Ben Reynolds. Slaying self-reliance: US chip controls in Biden's final stretch. Rhodium Group. Dec. 9, 2024. Accessed Dec. 10, 2024. https://rhg.com/research/slaying-self-reliance-us-chip-controls-in-bidens-final-stretch/

From the US: In addition to losing market access to China and anticipating potential supply chain disruption due to economic coercion, a second Trump term would further complicate the situation for East Asian countries. In April 2025, President Trump announced a plan to impose a baseline tariff of 10% on all trading partners, along with reciprocal tariffs that vary by country for 57 nations. The US semiconductor partners have all been included in the list of 57 nations, and in July 2025, reciprocal tariffs were announced as 20% for Taiwan, 15% for both South Korea, and Japan.[20] Even though the US partners have gone through negotiations to reduce their tariffs rates, partners remain uneasy. Specifically, trade partners will worry that President Trump continues to view the US as a victim in trade relationships with countries that have recorded surpluses with the US, even though they maintain their strong ties in strategic areas.

One trend to be considered before normalizing trade conditions with the East Asian partners is the decline in Taiwan and South Korea's trade dependency on China. Taiwan's export reliance on China has fallen from 43.9% in 2020 to 35.2% in 2023,[21] and South Korea's dependency has similarly dropped from 25.9% in 2020 to 19.7% in 2023.[22] Amid declining trade volumes between the East Asian partners and China due to geopolitical tensions between the US and China, the US's intention to discuss trade normalization with them could pose challenges for these partners.

Another concern for the US partners is that the reduction in US imports from China has been redistributed to other countries, including Vietnam, Mexico, and South Korea. As soon as China faced barriers to accessing the US market, it employed strategies such as exporting intermediate goods at lower prices to other US trade partners and changing the final production location to circumvent export restrictions. If President Trump singles out this area and puts pressure on East Asia countries by applying tariffs based on the proportion of Chinese products in their final goods, they may face an even more difficult economic situation.

3. Subsidy Race

According to the World Trade Organization Agreement on Subsidies and Countervailing Measures, government support in the form of subsidies has traditionally been regarded as a distortion of the fair and rules-based global trading system. However, as competition in the semiconductor sector intensifies—shifting from corporate rivalry to national strategic interest—and with the WTO appellate body ceasing its function, the use of state subsidies is increasingly viewed as a necessary policy tool. Countries are now embracing subsidies not as violations of international norms but as pragmatic measures to safeguard their technological competitiveness in the absence of effective global dispute resolution mechanisms.

As a nation spearheading a global effort to restructure the semiconductor supply chain, the US has committed $52 billion to its domestic chip industry through the CSA. Through 2027, the CSA will provide $39 billion in direct subsidies and allocate $13.2 billion to research and development. Major subsidy recipients announced to date include Intel ($8.5 billion), TSMC ($6.6 billion), Samsung ($6.4 billion), and Micron ($6.1 billion), with further allocations expected in the near future.

China, meanwhile, has pursued a multi-pronged approach aimed at achieving semiconductor self-sufficiency. Central to this effort is the state-backed National Integrated Circuit Industry Investment Fund, which has raised a cumulative total of $95 billion across three phases since its inception in 2014. The most recent phase, announced in May 2024, allocates $47.5 billion to further accelerate domestic chip development.[23] In parallel, local governments have established their own semiconductor investment funds totaling approximately $25 billion. These funds are used to offer grants, tax incentives, and low-interest loans.[24]

[20] Further Modifying the Reciprocal Tariff Rates. The White House. July 31, 2025. Accessed July 31, 2025. https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/

[21] Howard Shen. Taiwan's surprising drop in trade dependence on mainland China. *The Diplomat*. March 8, 2024. Accessed Dec. 3, 2024. https://thediplomat.com/2024/03/taiwans-surprising-drop-in-trade-dependence-on-mainland-china/

[22] Yeo Han-koo. "South Korea's exports to the United States and Japan overtook exports to China in 2023." PIIE. Feb. 26, 2024. Accessed Dec. 3, 2024. https://www.piie.com/research/piie-charts/2024/south-koreas-exports-united-states-and-japan-overtook-exports-china-2023

[23] Semiconductor Industry Association. "2024 State of the U.S. Semiconductor Industry." SIA. Sept. 12, 2024. Accessed Sept. 20, 2024. https://www.semiconductors.org/wp-content/uploads/2024/10/SIA_2024_State-of-Industry-Report.pdf

[24] Gregory C. Allen. China's new strategy for waging the microchip tech war. CSIS. May 3, 2023. Accessed Nov. 26, 2024. https://www.csis.org/analysis/chinas-new-strategy-waging-microchip-tech-war

Japan is also making a strong push to revitalize its semiconductor manufacturing capabilities, committing $25 billion in public investment. This includes a $3.9 billion investment and a $1.3 billion pledge to Rapidus, a new semiconductor firm formed through collaboration among major companies such as Toyota and Nippon Telegraph and Telephone (NTT).[25] Additionally, the Japanese government has subsidized the construction of TSMC's fabrication plant in Kumamoto, contributing up to $ 3.5 billion, highlighting Japan's intent to secure a foothold in advanced chip production.[26]

In contrast to the US, China, and Japan, Taiwan and South Korea have prioritized tax incentives over direct subsidies. Taiwan introduced a semiconductor investment tax credit system that offers a 25% deduction for qualified R&D expenditures and 5% for capital equipment purchases—an initiative expected to provide approximately $195.2 million. Effective through 2031, this policy aims to support TSMC, which invests roughly 8% of its annual revenue into R&D, as well as other domestic semiconductor firms.[27]

South Korea has historically adopted a similar approach, focusing on tax-based support mechanisms despite growing pressure from major firms such as Samsung and SK Hynix for more robust state funding. The revised Korean version of the CSA in 2025 provides a temporary 20-30% tax credit for investments in national strategic technologies. In May 2024, the government announced an expanded $19 billion support package, still centered around tax benefits. [28] Notably, in April 2025, South Korea revealed a new semiconductor support initiative valued at approximately $23 billion—its first major plan to include direct subsidies. [29] However, this program is primarily aimed at supporting small and medium-sized enterprises and remains subject to the passage of legislation currently pending in the National Assembly.

Following the impeachment of President Yoon Suk-Yeol, the election of the Democratic Party's Lee Jae-myung as the new president has reduced domestic political uncertainty in South Korea. However, the Democratic Party and its supporters continue to oppose the clause in the semiconductor subsidy bill that would lift the 52-hour workweek limit for certain occupations.[30] Since this clause remains a key sticking point in the bill's passage, the change in administration has not significantly increased the likelihood of the bill being enacted. Instead, President Lee is pursuing a new policy that offers a 10% production tax credit. While many consider this approach more beneficial to companies than the previous investment tax credit policy, it is seen as less effective than direct subsidies.[31]

Despite these aggressive funding strategies, the US has yet to clarify the long-term trajectory of its semiconductor policy, leaving its partners uncertain about the duration and scope of the "chip war." This ambiguity underscores the importance of multilateral discussions regarding what constitutes a sustainable and appropriate level of semiconductor subsidies. A prolonged subsidy race at the current pace risks placing increased strain on participating countries. Should these countries struggle to keep up, their willingness to align with the US-led framework may diminish over time.

Semiconductor Industry related Subsidy and Tax Incentives by the US and East Asian Countries

Country	Direct Subsidies	Tax Incentives
United States	CHIPS Act $52.7 billion total, **$39 billion** in direct subsidies	**25% investment tax credit** for semiconductor equipment and facilities
China	Estimated as **$142 billion** (since 2014) via	**120-220 % tax credit** for non-

[25] Kiyoshi Takenaka. Japan government plans to invest $1.3 bln in chipmaker Rapidus in FY2025, Nikkei says. Reuters. Nov. 20, 2024. Accessed Dec. 3, 2024. https://www.reuters.com/technology/japan-government-plans-invest-13-bln-chipmaker-rapidus-fy2025-nikkei-says-2024-11-20/

[26] Yoko Kubota and Stephanie Yang. Japan to give TSMC up to $3.5 billion to build second chip plant. *Wall Street Journal*. Feb. 24, 2024. Accessed May 10, 2025. https://www.wsj.com/tech/japan-to-give-tsmc-up-to-3-5-billion-to-build-second-chip-plant-4e3f6fa4

[27] Lisa Wang. Taiwan 'Chips act' sets R&D spending at NT$6 billion. *Taipei Times*. May 2, 2023. Accessed Oct. 8, 2024. https://www.taipeitimes.com/News/front/archives/2023/05/02/2003798964

[28] Heekyoung Yang and Ju-min Park. South Korea announces $19 billion support package for chip industry. Reuters. May 23, 2024. Accessed Nov. 1, 2024. https://www.reuters.com/technology/south-korea-announces-19-bln-support-package-chip-industry-2024-05-23/

[29] Kim Ji-sook. Direct semiconductor subsidies: wrong then, right now? KBS News. April 16, 2025. Accessed May 5, 2025. https://news.kbs.co.kr/news/pc/view/view.do?ncd=8228876

[30] Kim Jung-hwan, Lee Haein, Yoo Jihan and Lee Jae-eun. K-Chips Act in limbo as lawmakers clash over 52-hour workweek rule. The Chosun Daily. Feb. 18, 2025. Accessed July 31, 2025. https://www.chosun.com/english/national-en/2025/02/18/RI4AR53FJBBAVJJVIC4WF4ORPE/

[31] Hwang Min-gyu and Choi Ji-hui. Lee Jae-myung pushes for AI semiconductor growth while critics cite feasibility issues. Chosun Biz. June 4, 2025. Accessed July 31, 2025. https://biz.chosun.com/en/en-it/2025/06/04/2SDZTLY2ERC3RDUXFXKPOBEGIQ/

	National Fund and local support	patent and patent-producing R&D **15% Corporate Income Tax**, reduced from the standard 25%
Japan	**$25 billion** (since 2021)	**1-14% R&D tax credit**
Taiwan	**No large-scale direct subsidies**; support via land, utilities, and infrastructure	**25% R&D tax credit**; 5% for advanced machinery
South Korea	**No large-scale direct subsidies**; included in $23 billion support proposal (2025)	**20-30% investment tax credit**; additional 5% points from 2023

[Source] Author's research

4. Internal Competition

The US's reliance on East Asia's cooperation to counterbalance China reflects the reality that East Asian companies hold significance within the market and will continue to be competitors with US companies, although they are currently collaborating to address shared concerns about China. Hence, proactive US policies to bolster its domestic semiconductor industry, which aims to capture a larger share of the established global market, may further intensify competition. Since allies recognize that one of the key goals of US semiconductor policy is supply chain stabilization through domestic production, and since major East Asian companies are beneficiaries of US subsidies, they would generally understand the strengthening of US capabilities to a certain extent. However, if these capabilities grow excessively, there is a possibility that the semiconductor alliance may weaken. As Andrew Grotto points out, there is still a lingering skepticism among allies that "the US is using security as cover for a populist economic agenda of protecting manufacturing jobs and repatriating jobs lost to overseas competition."[32]

When estimating the wafer production capacity by country 10 years after the passage of the CSA, the US's share of the global market is projected to increase from 10% in 2022 to 14%.[33] Among East Asian partners, South Korea is the only one expected to see an increase, rising from 17% to 19%. Meanwhile, Japan and Taiwan are estimated to see decreases of 2% and 1%, resulting in shares of 15% and 17%, respectively. Furthermore, the US is expected to record a semiconductor capacity growth rate of 203% over the decade, far surpassing the global average of 108%. Considering America's growing semiconductor capacity over the next decade, East Asian companies face the risk of losing market share if they align too closely with US semiconductor policies. This anxiety is compounded by the anticipated scenario where US corporations strongly support each other and dominate the market, especially when the perception of a cohesive "Team USA" strategy is gaining traction.[34] Some analysts claim that Intel's announcement of orders for its advanced 1.8nm chips from Microsoft and Micron's pioneering production of HBM3E chips for Nvidia signal the emergence of a tightly integrated US semiconductor ecosystem. US Secretary of Commerce Gina Raimondo's speech at the "Intel Foundry 2024" event adds more weight to this perception, as her remarks that the US will manufacture 20% of the worlds advanced logic semiconductors domestically by the late 2020s[35] marks a notable shift from the previous year, during which she focused on strategic alliances with East Asian semiconductor leaders to counter China's influence in the global supply chain.

This implicit favoritism, backed by government policies, also makes it worth revisiting President Trump's past statements. When asked about the CSA, he argued that imposing tariffs on overseas-produced semiconductors would incentivize the relocation of manufacturing facilities to the US, rather than providing subsidies.[36] Reflecting this stance, the Biden administration accelerated the distribution of CSA subsidies before January 20, 2025, in anticipation of potential policy reversals. Nevertheless, on March

[32] Andrew Grotto. Mitigating Ally Concerns about US Semiconductor Policies. The National Bureau of Asian Research. January 21, 2023. Accessed Nov. 24, 2024. https://www.nbr.org/publication/mitigating-ally-concerns-about-u-s-semiconductor-policies/

[33] Raj Varadarajan, Iacob Koch-Weser, Christopher Richard, Joseph Fitzgerald, Jaskaran Singh, Mary Thornton, and Robert Casanova. Emerging Resilience in the Semiconductor Supply Chain. Boston Consulting Group and the Semiconductor Industry Association. May 2024. Accessed Sept. 3, 2024. https://www.bcg.com/publications/2024/emerging-resilience-in-semiconductor-supply-chain

[34] Il-guen Park. CHIP4 alliance is a thing of the past: the semiconductor war takes a new turn in the age of AI. Korea Times. April 1, 2024. Accessed Oct. 18, 2024. http://www.koreatimes.com/article/1508390

[35] Intel Foundry Direct Connect 2024. Intel. Feb. 21, 2024. Accessed Nov. 6, 2024. https://www.intel.com/content/www/us/en/events/foundry-direct-connect.html

[36] Kim Eun-jin. Trump risk looms large: 'Why give money to wealthy semiconductor companies?' Business Korea. Oct. 29, 2024. Accessed Nov. 15, 2024. https://www.businesskorea.co.kr/news/articleView.html?idxno=228000

31, 2025, President Trump signed an executive order creating the US Investment Accelerator under the DOC, which also absorbed the CHIPS Program Office (CPO)—the entity previously responsible for overseeing the implementation of CSA subsidies.[37] As a result, partner-country firms now face inevitable renegotiations, and they may be compelled to secure additional investments to maintain their originally approved subsidy levels. These developments have fueled significant uncertainty for companies that finalized their CSA contracts. While the CSA remains a bipartisan statute that cannot be easily overturned, the prospect of a subsidy-skeptical administration controlling undisbursed funds introduces a new layer of concern for firms still awaiting financial support.

Furthermore, it is difficult for US export control policies to have a lasting effect without creating a market that replaces China. In fact, the US government had to go through a whack-a-mole against its own companies. Soon after the Bureau of Industry and Security (BIS) introduced the October 2022 rules, Nvidia tweaked its AI chips just under the new rule's limits. Although the BIS tightened the restrictions through the October 2023 rule to close the loopholes, Nvidia again continued its practice by launching three new AI chips tailored for China.[38] Most recently, even after the US government limited the exports of Nvidia's H20 AI chips to China in April 2025, reports exist that Nvidia is still trying to tweak the chip's design.[39] These incidents clearly reflect that while the semiconductor industry is a critical juncture that encompasses values in national security, its foundation is commercial. Companies will seek their best interest while complying with the latest rules, and clashes between the government and companies will continue. Whenever this chase slows down and US companies gain benefit, East Asian companies may also become bold enough to maximize their interests, by actively finding loopholes in accessing the Chinese market and to survive within the internal competition.

5. China's Technology Development

While Pat Gelsinger suggested that US policies have left China behind for more than a decade in semiconductor technological innovation,[40] others claim that it is only five years behind.[41] The general consensus is that China is more than two generations apart in manufacturing cutting-edge chips, due to its limited access to acquire the latest semiconductors, manufacturing equipment, and the operating skillsets. Additionally, many experts believe that it would be very difficult for China to achieve a sudden advancement in the near future. However, there is a rare possibility in which China's dedication to state investment could deliver meaningful outcomes even before the US and partners have efficiently coordinated their encirclement.

China recently surprised the US and its partners when SMIC successfully produced 7nm mobile processors for Huawei's Mate60 Pro, despite being denied access to advanced semiconductor manufacturing equipment like EUV tools due to US sanctions. SMIC achieved this milestone using older DUV equipment to develop the 7nm process, and Huawei unveiled this new smartphone during the US Secretary of Commerce's visit to China, seemingly delivering a message that the US would struggle to suppress China's technological advancements. This event, commonly referred to as the "Huawei Shock," underscored China's willingness to prioritize technological breakthroughs in advanced chip production, even at the expense of profitability. It also heightened concerns over the Chinese government's capital support, which enables such strategies to be adopted on a sustainable basis. Producing 7nm chips using DUV equipment typically requires multi-patterning, a costly method that significantly increases the number of chemical-related processes and etching. However, the Chinese government has consistently prioritized eliminating chokepoint dependencies in its semiconductor value chain over pursuing the most profitable market opportunities, providing nearly limitless state

[37] White House. Establishing the United States Investment Accelerator. White House. March 31, 2025. Accessed April 5, 2025. https://www.whitehouse.gov/presidential-actions/2025/03/establishing-the-united-states-investment-accelerator/

[38] Raffaele Huang and Asa Fitch. Nvidia develops new AI chips, again, to keep selling to China. The Wall Street Journal. November 10, 2023. Accessed Nov. 10, 2024. https://www.wsj.com/tech/nvidia-develops-new-ai-chips-again-to-keep-selling-to-china-d6977a03

[39] Deborah Sophia. Nvidia is working on China-tailored chips again after US export ban, The Information Reports. Reuters. May 2, 2025. Accessed May 8, 2025. https://www.reuters.com/world/china/nvidia-is-working-china-tailored-chips-again-after-us-export-ban-information-2025-05-02/

[40] Davos 2024: a conversation with Pat Gelsinger. World Economic Forum. Jan. 17, 2024. Accessed November 19, 2024. https://www.weforum.org/podcasts/meet-the-leader/episodes/davos-2024-intel-pat-gelsinger-semiconductor/

[41] Stephen Ezell. How Innovative is China in Semiconductors? Information Technology & Innovation Foundation (ITIF). Aug. 19, 2024. Accessed Nov. 19, 2024. https://itif.org/publications/2024/08/19/how-innovative-is-china-in-semiconductors/

support.[42] In the short term, US and allied companies may continue to lead the semiconductor competition. However, experts express growing concerns that China's national wealth will ensure ongoing support for its domestic semiconductor firms, maintaining their momentum for growth in the long term. Some experts are even concerned that China is focusing not on matching the US in cutting-edge semiconductor technology, but rather on developing a cost-effective strategy that utilizes lower-end chips within the industry—and that this approach is already yielding meaningful results.[43]

China's continuous efforts to circumvent regulations are also a worrisome factor in the long term. Even when the US government swiftly bans foreign companies that smuggle regulated chips to China, new entities with clean records are continuously formed for the same purpose and will operate until they are listed in the US control list. Chinese companies have also utilized creative ways to access the chips they needed by renting overseas cloud services from foreign data centers equipped with high-end chips. [44] By citing that semiconductor technologies are applied science, Paul Triolo claims that "the US approach to export controls… will founder on the rocks of reality," as "there is no single path to achieving technological performance levels." [45] If China's technology development truly shows signs of significant progress, the US is likely to implement strong export control policies even at the cost of significant losses for both the US and its allies, generating a higher risk of backfire.

Five Opportunities to Foster Partnership

With the reelection of President Trump, one of the greatest threats to a sustainable semiconductor partnership may ironically come from the US itself. However, a second Trump administration would not necessarily bring only challenges to the semiconductor partnership. The reason why all nations dealing with a second Trump administration find the US daunting is their familiarity with President Trump's strong drive and determination. Conversely, this implies that partnerships aligned with US national interests could gain significant momentum during President Trump's term. Even if President Trump introduces challenges to the semiconductor partnership, hope remains when examining the operational dynamics of foreign policies during his first administration. While President Trump often set the overarching direction of policies in his first term, the implementation and execution were largely left to his administrative team.[46]

For Trump's administrative team, Asia will remain central in the near future, as Dr. Andrew Yeo comments that "Trump cannot make America great or support a free, open and prosperous Indo-Pacific without preserving the defense ties and semiconductor supply chain networks that run through South Korea, Taiwan, and Japan." [47] Additionally, it is a well-known fact that onshoring semiconductor production bases to the US is disadvantageous in the short term, considering the production costs, labor supply, and product sales prices. Thus, the current strong mutual dependencies within the semiconductor ecosystem will remain, and, at an administrative level, the US and its partners will continue to seek opportunities to strengthen their ties.

1. Geopolitical Coordination

While the division into two blocs within the East Asian security landscape becomes more pronounced, East Asian countries are wary that the conflicts in the Middle East and Ukraine will create a security vacuum by distracting the US. No matter how powerful a nation may be, it is extremely difficult to efficiently support three conflicts simultaneously, and even after President Trump's inauguration, resolving these conflicts is expected to remain a top priority. However, as it is almost certain that China is likely to emerge as the most significant security

[42] Gregory C. Allen. China's new strategy for waging the microchip tech war. CSIS. May 3, 2023. Accessed Nov. 26, 2024. https://www.csis.org/analysis/chinas-new-strategy-waging-microchip-tech-war

[43] Daniel Castro and Stephen Ezell. Overly Stringent Export Controls Chip Away at American AI Leadership. ITIF. May 5, 2025. Accessed May 10, 2025. https://itif.org/publications/2025/05/05/export-controls-chip-away-us-ai-leadership/

[44] Eduardo Baptista, Fanny Potkin and Karen Freifeld. Exclusive: Chinese entities turn to Amazon cloud and its rivals to access high-end US chips, AI. Reuters. Aug. 23, 2024. Accessed Nov. 26, 2024. https://www.reuters.com/technology/chinese-entities-turn-amazon-cloud-its-rivals-access-high-end-us-chips-ai-2024-08-23/

[45] Paul Triolo. A new era for the Chinese semiconductor industry: Beijing responds to export controls. American Affairs. Spring 2024. Accessed Dec. 2, 2024. https://americanaffairsjournal.org/2024/02/a-new-era-for-the-chinese-semiconductor-industry-beijing-responds-to-export-controls/

[46] Richard C. Bush and Ryan Hass. How would the Trump or Harris administration approach Taiwan? Brookings. Oct. 3, 2024. Accessed Nov. 17, 2024. https://www.brookings.edu/articles/how-would-the-trump-or-harris-administration-approach-taiwan/

[47] Andrew Yeo, "Cautiously optimistic: US-South Korea ties under Trump 2.0." Brookings. Nov. 14, 2024. Accessed Dec. 6, 2024. https://www.brookings.edu/articles/how-is-trumps-reelection-likely-to-affect-us-foreign-policy/

challenge for the Trump administration, a hopeful opportunity could be presented to the alliance.

In response to the Trump administration's demands for increased defense spending and stronger efforts toward self-reliance, East Asian countries are expected to increase their purchases of US military assets. While this entails additional costs to maintain security cooperation with the US, it also presents an opportunity to secure advanced US strategic assets. For instance, shortly after President Trump's election, Taiwan expressed its intention to purchase $2.2 billion worth of US weapons in 2025, as a down payment to maintain friendly ties with the Trump administration.[48] Taiwan's request is highly likely to be approved, given the history of $18.3 billion arms transactions between Taiwan and the US during the previous Trump administration.[49] As of 2023, South Korea and Japan purchased approximately $1.5 billion and $500 million worth of US weapons, respectively. Given that President Trump strongly urged both countries to buy US weapons during his first term in 2017, these two nations will likely continue to increase their purchases of US weapons to share defense costs and address strategic vulnerabilities.[50]

As the US urges the strengthening of security capabilities within the Asia-Pacific region, China may feel a sense of unease akin to that of the Cuban Missile Crisis.[51] Considering the precedent of China's retaliation followed by South Korea's THAAD missile defense system deployment, there will be opportunities in which the US can efficiently manage friction with China on behalf of its allies, and this could greatly aid in securing the support of East Asian partners. Uncertainty associated with President Trump's international policies has been a stressful factor for partners, but at this time, it can be a double-edged sword which may deter China's potential aggression and favor the US allies.

Tangible security projects aimed at enhancing US security while providing collaborative and economic opportunities to its partners can provide the US with more leverage at this point. One notable example is the SHIPS for America Act of 2024 (Shipbuilding and Harbor Infrastructure for Prosperity and Security for America), which aims to rebuild the US shipbuilding base and strengthen maritime industries and supply chains to counter China's maritime capabilities. While the legislation prioritizes the use of US-built vessels, it temporarily allows the use of foreign-built ships as interim vessels until they can be replaced with US-built counterparts. If this bill passes in 2025, South Korea and Japan, ranking second and third in the global shipbuilding market, are expected to solidify their collaboration with the US.[52] Additionally, the legislation proposes an exemption to the existing provision requiring 50% of repair costs for US vessels in overseas shipyards to be paid as taxes. Although maintenance, repair, and overhaul (MRO) opportunities are currently limited to merchant ships, continued engagement could enhance trust so that discussions to sign maintenance, repair, and supply agreements (MSRA) for US Navy ships could be facilitated. Such projects, which improve the US and its partners' operational coordination within the region, would alleviate the partners' security concerns. In July 2025, South Korea pledged to invest $150 billion in the Make America Shipbuilding Great Again (MASGA) Fund as part of its reciprocal tariff negotiations with the US.[53] This move could serve as a catalyst for strengthening the partnership between the two countries by reducing uncertainties surrounding security and trade through negotiation.

When security cooperation between the US and East Asian countries increases, there are three major advantages. First, leveraging the fact that the US influence in the region surpasses that of China, the US can enhance ally participation in US-led policies. Second, as semiconductors are increasingly recognized as dual-use products for both civilian and

[48] Yimou Lee. Taiwan has no arms shopping list for Trump but keen to discuss, Taiwan security officials say. Reuters. Nov. 13, 2024. Accessed Nov. 14, 2024. https://www.reuters.com/world/taiwan-has-no-arms-shopping-list-trump-keen-discuss-taiwan-security-officials-2024-11-14/

[49] Eric Gomez and Benjamin Giltner. "Breaking Down Taiwan's Arms Backlog, Part 3: Comparing the Trump and Biden Administrations." Cato Institute. Nov. 14, 2023. Accessed Nov. 25, 2024. https://wdlww.cato.org/blog/breaking-down-taiwans-arms-backlog-part-3-comparing-trump-biden-administrations

[50] Louis Nelson. "Trump says he'll allow Japan, South Korea to buy more military equipment from the US." Politico. Sept. 5, 2017. Accessed Nov. 26, 2024. https://www.politico.com/story/2017/09/05/trump-south-korea-japan-military-equipment-242321

[51] Minxin Pei. Trump's Biggest China Problem Won't Be Trade. Bloomberg. Nov. 11, 2024. Accessed Nov. 14, 2024. https://www.bloomberg.com/opinion/articles/2024-11-11/trump-s-biggest-china-problem-will-be-taiwan-not-trade?embedded-checkout=true

[52] Henry H. Carroll and Cynthia Cook. Identifying Pathways for US Shipbuilding Cooperation with Northeast Asian Allies. CSIS. May 15, 2025. Accessed May 15, 2025. https://www.csis.org/analysis/identifying-pathways-us-shipbuilding-cooperation-northeast-asian-allies

[53] Ju-min Park and Jihoon Lee. 'Make America Shipbuilding Great Again' package key to reaching trade deal, South Korea says. Reuters. July 31, 2025. Accessed July 31, 2025. https://www.reuters.com/world/china/make-america-shipbuilding-great-again-package-key-reaching-trade-deal-south-2025-07-31/

military purposes, the US gains a voice in advising allies on managing such dual-use technologies under the pretext of ensuring regional security. Lastly, a security community provides the strongest sense of shared purpose and unity for both the US and its allies, compared to any other form of cooperation. Even if US semiconductor policies disadvantage its allies or create favorable conditions for the US, the US can persuade allies by framing these as secondary issues arising from the shared strategic goal of countering China, thereby seeking long-term policy sustainability.

2. Economic Gain

Although the US holds absolute influence in terms of technology licensing, its current policies alone are not enough to ensure stability. Objectively speaking, the US government is currently "navigating tensions between shared interests and market competition," [54] and its ambitious semiconductor subsidies are merely on par with TSMC's annual capital expenditures, which are nearly equivalent to the entire sum allocated in the CHIPS Act to bolster US manufacturing.[55] Therefore, it is essential to clearly consider the economic benefits of sustaining semiconductor policies over the long term.

To secure the interests of its allies in the short term, the Trump administration would benefit by clarifying its stance on the CSA, since there is simultaneously a concern that his administration could pose a threat to the CSA and an expectation that a pro-business Republican administration could enhance the CSA's efficiency. Notably, Speaker of the House Mike Johnson initially suggested repealing the CSA but later shifted his stance by stating, "there could be legislation to further streamline and improve the primary purpose of the bill–to eliminate its costly regulations and Green New Deal requirements." [56] By removing some of the conditions for subsidies related to labor, childcare, and environmental standards, the Trump administration can alleviate partner manufacturers' concerns over increased production costs and accelerate the operation of US facilities.

The Trump administration could also indirectly support the semiconductor industry by loosening regulations on related markets. Semiconductors are closely tied to cutting-edge technologies, such as AI and quantum computing, to a level which led to them being a subject of export controls. The "America's AI Action" initiative announced by the Trump administration in July 2025 serves as a highly positive example from this perspective.[57] Through this policy, the administration expressed its commitment to easing various regulations related to data centers and semiconductor manufacturing facilities in order to secure US leadership in the AI race. Although uncertainty remains due to anticipated changes in some of the manufacturing facility subsidy requirements introduced under the Biden administration, it is clear that the US government is taking a business-friendly approach to securing semiconductor demand and supporting the construction of manufacturing facilities. If the US actively supports industries deeply connected to semiconductors and ensures sustained demand, the strength of its partnerships in the sector is expected to grow even further.

In the long term, the US could establish a joint response mechanism to counter economic retaliation or continue efforts to secure markets, excluding countries of concern. While it is doubtful that the Trump administration would favor these objectives or gain outcomes within his term, even the mere discussion of such strategies could temper China's aggressive posture while serving as an incentive for partners to cooperate with the US.

Economic engagement with China, which has been crucial for the economic growth of US partners, has long been a major obstacle preventing other East Asian nations from fully supporting US policies. Thus, in pursuing the semiconductor competition against China, ensuring that China's economic coercion does not become a major threat to partners is important to the partnership's sustainability. Partners' concern over economic retaliation is evident, as discussions on an economic equivalent of the North Atlantic Treaty Organization (NATO) article 5 have been ongoing for many years. [58] Although

[54] Karen M. Sutter, Emily G. Blevins, and Alice B. Grossman. Semiconductors and the CHIPS Act: the global context. Pg. 30. Congressional Research Service. Sept. 28, 2023. Accessed Sept. 11, 2024. https://crsreports.congress.gov/product/pdf/R/R47558

[55] David Sacks et al. Onshoring semiconductor production: national security versus economic security. CFR

[56] Stephen Groves. House speaker Johnson says GOP may try to repeal CHIPS Act, then walks it back. AP. Nov. 1, 2024. Accessed Dec. 2, 2024. https://apnews.com/article/mike-johnson-chips-act-d5504f76d3aa0d5b401216f3592c9a09

[57] White House Unveils America's AI Action Plan. The White House. July 23, 2025. Accessed July 30, 2025. https://www.whitehouse.gov/articles/2025/07/white-house-unveils-americas-ai-action-plan/

[58] Victor D. Cha. Collective resilience: deterring China's weaponization of economic interdependence. MIT Press Direct. July 1, 2023. Accessed Dec. 3,

seemingly unrealistic, the discussion on a joint commitment to consider "an attack against one as an attack against all" is not new, as similar efforts have been made in the G7. In 2023, the G7 leaders announced that countries attempting to weaponize others' economic dependence would face consequences, and in 2024, the participants also agreed to act together to confront non-market policies and practices.[59] To add tangible effectiveness to the initiative, which currently remains in the discussion phase, the US needs to establish concrete response measures. In this regard, Elliott Abrams and his colleagues suggest that after forming formal agreements with like-minded nations, the US could employ methods such as providing direct economic aid, granting export credits, filing joint WTO complaints, and applying joint countermeasures to support countries targeted by economic retaliation.[60] Furthermore, if the US wishes to build stronger economic partnerships, lessons from the Biden administration's Indo-Pacific Economic Framework (IPEF) should be considered. When the US sought to establish an economic bloc excluding China, many countries hesitated to join or questioned the sustainability of the IPEF. A key reason was that the US did not offer further domestic market access as an incentive, leaving participants without any rewards that could outweigh the associated risks. Additionally, the framework was created solely through executive actions without congressional approval, raising doubts about its long-term viability. The next multinational cooperative organization must not be perceived as a tool for advancing US political objectives. Instead, it should be built on reciprocity and bipartisan consensus to have a higher chance of success.

3. Export Control

The first semiconductor export control under the second Trump administration began with a total ban on the use of Huawei's Ascend AI chips.[61] The DOC stated that certain AI chips manufactured by Huawei were using US technology without proper authorization, and that the use of such chips constitutes a violation of US export control regulations. Following the Biden administration's approach, the Trump administration is also expected to focus on preventing China from circumventing regulations and smuggling restricted materials through alternative channels. This game of cat-and-mouse between the two countries continues to this day, as in December 2024, 140 entities were additionally blocked from accessing US-related semiconductor goods. Additionally, in January 2025, 25 China-based companies were included in the entity list, including Sophgo, a company under suspicion of providing TSMC chips necessary for Huawei processors.[62] To gain an upper hand in this chase, the Trump administration needs to strengthen its monitoring capabilities and secure broader cooperation from its partners. If the US enforces unilateral export controls, there is a greater likelihood that US companies will face retaliation from China and lose competitiveness compared to foreign firms.[63] Therefore, the alignment of export controls must be pursued by leveraging both the carrot and stick approaches available to the US.

To build a sustainable partnership while continuing US export control policies, it is important to note that the US and its partners often have differing views on the scope and the intensity of the regulations that should be applied to China. Economic interests are definitely an important factor, and since the initial implementation of semiconductor-related export control policies, the US has provided its partners with short grace periods before the rules take effect or granted exemptions by designating them as trusted nations. This stance continued during the Biden administration, as the US allowed all East Asian semiconductor partners to utilize US AI semiconductors on its January 2025 AI chips rule.[64] Although the Trump administration rescinded this specific regulation in May 2025,[65] the approach of

2024. https://direct.mit.edu/isec/article/48/1/91/117127/Collective-Resilience-Deterring-China-s

[59] SIA 2024 State of Industry Report. Pg.22

[60] Elliott Abrams, Ezra Hess, and Joshua Kurlantzick. Protecting US allies and partners from Chinese economic coercion. CFR. Dec. 2, 2024. Accessed Dec. 17, 2024. https://www.cfr.org/article/protecting-us-allies-and-partners-chinese-economic-coercion

[61] Bureau of Industry and Security. Guidance on Application of General Prohibition 10 (GP10) to People's Republic of China (PRC) Advanced-Computing Integrated Circuits (ICs). BIS. May 13, 2025. Accessed May 13, 2025. https://www.bis.gov/media/documents/general-prohibition-10-guidance-may-13-2025.pdf

[62] Karen Freifeld. US blacklists Chinese companies over TSMC chips in Huawei processor. Reuters. Jan. 16, 2025. Accessed Feb. 22, 2025. https://www.reuters.com/world/us/us-adds-16-entities-its-trade-blacklist-14-china-2025-01-15/

[63] William Alan Reinsch, Jack Whitney and Matthew Schleich. The double-edged sword of semiconductor export controls. Pg.28. CSIS. Nov. 19, 2024. Accessed Dec. 16, 2024. https://csis-website-prod.s3.amazonaws.com/s3fs-public/2024-11/241119_Reinsch_Semiconductor_Exports.pdf?VersionId=aEKcy3rfoLcGduvb.J6AZHpLAzYImyqy

[64] Bureau of Industry and Security. Framework for Artificial Intelligence Diffusion. Federal Register. Jan. 15, 2025. Accessed Feb. 12, 2025. https://www.federalregister.gov/documents/2025/01/15/2025-00636/framework-for-artificial-intelligence-diffusion

[65] Bureau of Industry and Security. Department of Commerce Announced Recission of Biden-Era Artificial Intelligence Diffusion Rule, Strengthens

seeking understanding from partners while steadily tightening export controls should be preserved, so it could gradually foster export control cooperation. Partners are likely awaiting the results of the DOC's investigation, initiated in April 2025 under Section 232, into the national security implications of semiconductor imports. The subsequent measures will likely serve as a key indicator of the Trump administration's approach to its semiconductor policy and the kind of relationship it seeks with its partners.

However, it is equally important for the US to convey the necessity for coordination by emphasizing that countries not aligning their export controls to similar levels may still be affected by US actions. For instance, South Korea and Germany are often cited as examples of nations operating less stringent export control measures compared to the US. This divergence was highlighted in December 2024, when the US firmly implemented HBM semiconductor export control policies targeting China, despite potential impacts on South Korean companies. Notably, 20% of Samsung Electronics' HBM semiconductor sales originate from China, which underscores the tangible effects on South Korea.[66] This contrasts with the simultaneous announcement of export restrictions on semiconductor manufacturing equipment, where Japan and the Netherlands were excluded from the foreign direct product rules (FDPR), by strengthening their export control cooperation with the US. This disparity served as a significant signal to semiconductor partners, illustrating the benefits of aligning with the US policies and the consequences of divergence.

Alternatively, it is worth examining the May 2025 bilateral trade agreement between the US and the United Kingdom, which became the first trade agreement signed by the Trump administration following the imposition of the 10% baseline tariff. Notably, the two countries included provisions for joint responses to non-market policies, explicitly outlining cooperation on investment security and export controls in the agreement.[67] This bilateral agreement is likely to serve as a benchmark for future negotiations with other countries, and it raises the possibility that the US will demand similar terms in the upcoming agreement with its allies. Should this occur, the US could effectively lay the groundwork to use tariffs once again as leverage to secure allied participation in future semiconductor strategies targeting China.

In terms of harmonizing export control policies between the US and its partners, there are some conditions that should be considered carefully. No matter how strong the collaboration between the US and its partners may be, it ultimately remains a form of coordination between different domestic jurisdictions. Building export controls at the same level as the US is a challenging short-term demand for partners. In order to achieve this, sufficient information sharing and the provision of incentives are essential to complement partners' regulatory systems. Additionally, efforts by partners to strengthen control by taking responsibility for areas of their professions within the supply chain can contribute to fostering an autonomous partnership driven by shared objectives, rather than simply replicating US export control standards.[68] Finally, as US export controls are being tightened for national security reasons, there is a growing need to incorporate the economic concerns of its allies. One way to address this could be the US setting a policy direction that strengthens export controls in the most critical areas while relaxing measures in less effective areas, which could allow partners to anticipate and align with US policy more proactively.[69]

4. Supply Chain Resilience

Strengthening supply chains is a critical foundation for the US and its partners to gain an edge in the semiconductor competition. It is evident that increased control over China will provoke higher levels of retaliation from Beijing, potentially leading to partial severance from markets and raw materials dominated by the world's second-largest economy. Concerned that the US and other nations might develop supply chains excluding China, China has refrained from aggressively controlling rare earth exports, instead laying the groundwork for gradually

Chip-Related Export Controls. BIS. May 13, 2025. Accessed May 14, 2025. https://www.bis.gov/press-release/department-commerce-announces-recission-biden-era-artificial-intelligence-diffusion-rule-strengthens-chip

[66] Jo He-rim. US chip export curbs on China leave Samsung unscathed, for now. *The Korea Herald*. December 3, 2024. Accessed Dec. 3, 2024. https://www.koreaherald.com/article/10012262

[67] The White House. General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal. The White House. May 8, 2025. Accessed May 9, 2025. https://www.whitehouse.gov/briefings-statements/2025/05/general-terms-for-the-united-states-of-america-and-the-united-kingdom-of-great-britain-and-northern-ireland-economic-prosperity-deal/

[68] Emily Weinstein. The role of Taiwan in the US semiconductor supply chain strategy. NBR. Jan. 21, 2023. Accessed Dec. 2, 2024. https://www.nbr.org/publication/the-role-of-taiwan-in-the-u-s-semiconductor-supply-chain-strategy/

[69] William Alan Reinsch, Jack Whitney and Matthew Schleich. The double-edged sword of semiconductor export controls. Pg. 29. CSIS.

increasing its control. However, given that rare earth export restrictions are one of China's potential countermeasures, it is crucial to proactively develop strategies in response.

Reducing dependence on China's rare earth supply chain requires substantial time and capital. Particularly in advanced industries like semiconductors, rare earth elements are not only about replenishing reserves but also necessitate technology and skilled workers for extraction and processing. To achieve this in the short term, a strategy of prioritization is essential. Many experts advise that, rather than selecting investment targets based on the market share China holds in specific minerals, the focus should be on the disruption potential of these minerals.[70] For instance, among the critical minerals for which China has recently tightened export controls, gallium and germanium are more likely to disrupt supply chains compared to other minerals like arsenic. Therefore, it is imperative to allocate greater resources and efforts to developing countermeasures for these specific materials.

Furthermore, it would be beneficial for the US to take the lead in opening new avenues for its partners in the rare earth supply chain. In fact, the Trump administration has the potential to use tariffs as leverage to negotiate rare earth agreements with other countries, suggesting that it may accomplish this task more quickly than anticipated. So far, countries such as Brazil, Canada, Mexico, and Indonesia have been identified as key partners for the supply chain transition. Given that semiconductor partnerships currently involve relatively few participants and the number of countries capable of replacing Chinese minerals is limited, the US can play an active role in connecting these nations, gradually supporting stockpiling efforts and supply chain diversification.[71]

As the US works to strengthen supply chain resilience, other areas of collaboration can also be considered. With increased US controls over advanced semiconductors, China is striving to boost its production of logic semiconductors. In response, the Biden administration announced the initiation of a Section 301 investigation in December 2024.[72] Given shared concerns over China's expanding matured semiconductor production capabilities, the US could encourage partners to assess their dependence on Chinese semiconductors as well and discuss ways to mitigate this reliance. Simultaneously, the US and its partners could prepare for a coordinated response should China's potential non-market behaviors materialize. In addition, industrial sectors where China is expected to wield significant supply chain influence, such as electric vehicles and batteries, [73] could be included in these discussions. By forming partnerships that address future industries as a whole and incorporating semiconductors as one of the key agendas within a broader framework, the durability of US-East Asia partnerships may be enhanced.

Ideally, leveraging the Chip Four, or Fab Four, initiative would be a practical approach for the US when discussing semiconductor supply chains with its partners. By accounting 78% of the global semiconductor supply, the US initially wanted to further discuss semiconductor-related matters within the initiative. Nonetheless, its exclusion of other key players in the market, such as China, the European Union, and India, has created diplomatic challenges and limited its effectiveness thus far. However, if the initiative can be reframed as a mechanism established to ensure a predictable semiconductor supply rather than solely serving the interests of its members, it has the potential to play a much more significant role in the future.

If the Chip Four initiative resumes proper operations, two critical tasks could strengthen the partnership. First, addressing concerns over potential semiconductor oversupply caused by the US-reshored production facilities is essential. Some experts suggest that the US could alleviate these concerns by offering tax incentives for US-made semiconductors or implementing procurement policies that prioritize US-made chips for national

[70] Ryan C. Berg, Henry Ziemer, and Emiliano Polo Anaya. Mineral demands for resilient semiconductor supply chains. CSIS. May 15, 2024. Accessed Nov. 18, 2024. https://www.csis.org/analysis/mineral-demands-resilient-semiconductor-supply-chains

[71] Bentley Allan, Noah Gordon, and Cathy Wang. Friendshoring critical minerals: what could the US and its partners produce? Carnegie Endowment for International Peace. May 3, 2023. Accessed Nov. 18, 2024. https://carnegieendowment.org/research/2023/05/friendshoring-critical-minerals-what-could-the-us-and-its-partners-produce?lang=en

[72] USTR. USTR initiates Section 301 investigation on China's acts, policies, and practices related to targeting of the semiconductor industry for dominance. Office of the United States Trade Representative. Dec. 23, 2024. Accessed Dec. 23, 2024. https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/december/ustr-initiates-section-301-investigation-chinas-acts-policies-and-practices-related-targeting

[73] Jimmy Goodrich. China's Evolving Semiconductor Strategy. IGCC. May 29, 2024. Accessed Oct. 17, 2024. https://ucigcc.org/blog/chinas-evolving-semiconductor-strategy/

security products.[74] Discussing what other methods would most likely alleviate the partners' concerns through the Chip Four initiative could be a meaningful starting point. Second, the initiative could enhance its dispute resolution mechanism by addressing supply chain concerns stemming from conflicts among its members.[75] For instance, South Korea and Japan experienced a trade dispute in 2019 rooted in differing perspectives on historical issues, during which Japan imposed export controls on chemical materials critical to South Korean tech companies.[76] Even if the US and its partners establish a strong partnership to counter China, internal disputes within the alliance could undermine collaborative efforts. To prevent such disruptions from affecting the semiconductor supply chains, the initiative could serve as a mediator to ensure that shared objectives remain intact and minimize the impacts of the disputes.

5. Technological Innovation

As China's semiconductor capabilities are currently restricted, the Trump administration faces the critical challenge of developing technology faster and at greater scale than China. In this process, the National Semiconductor Technology Center (NSTC), established under the CSA, is expected to play a pivotal role. While NSTC is aimed at serving as a mediator between domestic firms that focus on technological development and production, some scholars cite the case of Sematech, NSTC's predecessor, to enhance its efficiency. They have diagnosed that Sematech's wafer-related projects have once failed due to the condition of building a supply chain relying solely on domestic firms, and advise that NSTC should focus on fostering collaboration with reliable partners to avoid similar pitfalls.[77] Relying on governmental bodies such as NSTC or DOC could be a realistic option, as joint research between the US and foreign private firms may be challenging in a competitive landscape. The governmental efforts to support R&D can continue in the precompetitive fields, advancing from the current initiatives such as the US-Japan Commercial and Industrial Partnership (JUCIP) and the US-Korea Supply Chain and Commercial Dialogue (SCCD).[78] Additionally, in 2023, the Biden administration proposed the National Standard Strategy for Critical and Emerging Technology (CETs), in which like-minded nations could also participate in the US objective to develop the CETs. Encouraging partners to join in the early stage of standards and rulemaking procedures of the CETs, the US could enhance partners' technological competitiveness while reducing the transitional costs in the future.[79]

Nevertheless, while providing the foundation for joint R&D, the US should also focus on developing measures with the partners' governments and corporations to enhance its workforce. Notably, the US is unlikely to meet the labor demand for more than 160,000 semiconductor workers within the next five years, despite its investment.[80] The US could request that foreign companies relocate their facilities to provide workforce educational guidelines or request related investments, like Samsung funding the University of Texas at Austin's undergrad and graduate study programs in semiconductor manufacturing. As overseas companies also express concerns about labor shortages following the completion of manufacturing facility construction, workforce development is another area where the US and its partners can collaborate effectively. Ideally, the US could also initiate discussions with its partners to enable the recruitment of skilled personnel, currently restricted from switching to competing industries due to security concerns, to work in US-based facilities unless they were not deeply tied to the most advanced type of semiconductor products.

Lastly, as the cooperation for technological innovation increases, safeguarding the results of innovation will become paramount. Strong IP protection frameworks are needed to ensure that shared technological advancements are not exploited

[74] David Sacks et al. Onshoring Semiconductor production: national security versus economic efficiency. CFR.
[75] Jessica Taylor and Jonathan Corrado. How the United States can build a chip alliance in Northeast Asia without decoupling. Pacific Forum. Sept. 13, 2022. Accessed Dec. 3, 2024. https://pacforum.org/publications/pacnet-53-how-the-united-states-can-build-a-chip-alliance-in-northeast-asia-without-decoupling/
[76] Lindsay Maizland, The Japan-South Korea trade dispute: what to know. CFR. Aug. 5, 2019. Accessed Oct. 19, 2024. https://www.cfr.org/in-brief/japan-south-korea-trade-dispute-what-know
[77] Charles Wessner and Thomas Howell. Implementing the CHIPS Act: Sematech's lessons for the National Semiconductor Technology Center. CSIS. May 19, 2023. Accessed Dec. 1, 2024. https://www.csis.org/analysis/implementing-chips-act-sematechs-lessons-national-semiconductor-technology-center
[78] SIA 2024 State of Industry Report. Pg.17
[79] Soyoung Kown. Strengthening strategic technology cooperation between South Korea and the United States. CFR. Nov. 30, 2023. Accessed Nov. 7, 2024. https://www.cfr.org/blog/strengthening-strategic-technology-cooperation-between-south-korea-and-united-states
[80] Bill Wiseman, Brendan Jay, Nicholas Liao, Taylor Roundtree, and Wade Toller. Reimagining labor to close the expanding US semiconductor talent gap. McKinsey & Company. Aug. 2, 2024. Accessed Nov. 21, 2024. https://www.mckinsey.com/industries/semiconductors/our-insights/reimagining-labor-to-close-the-expanding-us-semiconductor-talent-gap

or undermined by adversaries. The US and its partners must discuss how to align their IP regulations and enforcement mechanisms to create a unified front against infringement. Suggestions are being made so that like-minded countries can start tackling this agenda by enhancing their information sharing efforts, particularly in IP, technology, and trade secret theft.[81] Partners can better protect their accumulated assets by prohibiting companies and individuals with a history of threatening IP or technology from operating in the US and partner markets. Furthermore, by strengthening outbound investment screening for semiconductor companies, they can work to preemptively prevent countries of concern from acquiring significant equity stakes or engaging in technology theft.

Conclusion

The semiconductor competition between the US and China is not only a race for technological dominance but a defining element of the latest geopolitics. As this paper highlights, the long-term success of US semiconductor strategy hinges on forging a resilient and forward-looking partnership with East Asian countries. These allies are capable of realizing the US agenda for a new global semiconductor ecosystem, but their continued alignment cannot be taken for granted.

The return of President Trump to office introduces new variables into an already complex dynamic. The Trump administration's preference for protectionist measures has strained trust, especially by leading allies to perceive that their interests are secondary to US domestic goals. Nonetheless, this same administration, which is characterized by bold actions and determination on US strategic advantage, presents opportunities for allies to recalibrate cooperation around shared imperatives. If properly leveraged, the Trump administration's emphasis on national security and supply chain resilience could serve as a catalyst for deeper collaboration.

To build a sustainable semiconductor alliance, the US must adopt a dual-track approach: leading with strength while communicating with intent. This includes clearly defining the endgame of US-China technology competition, institutionalizing mechanisms for dispute resolution among allies, and offering economic and strategic incentives that reinforce unity. Joint R&D, harmonized export controls, workforce development, IP protection, and coordinated responses to economic coercion should be prioritized as pillars of this cooperation.

Ultimately, considering China's effort for self-sufficiency and growing influence, the sustainability of the US-East Asia partnership depends not on short-term alignment but on a shared vision of collective resilience. The challenge for the US is to turn its dominance into durable leadership that empowers allies, amplifies mutual gains, and ensures that no partner is left behind in the pursuit of semiconductor security and technological edge. By doing so, the US and its East Asian allies can set the foundation for a rules-based, innovation-driven future where cooperation, not coercion, defines the new global semiconductor order.

[81] Stephen Ezell. An allied approach to semiconductor leadership. ITIF. September 17, 2020. Accessed Dec. 16, 2024. https://itif.org/publications/2020/09/17/allied-approach-semiconductor-leadership/

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5

From Dependency to Resilience: Assessing Semiconductor Supply Chains in the Context of China's Influence and Opportunities for US-India Collaboration

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PACIFIC FORUM
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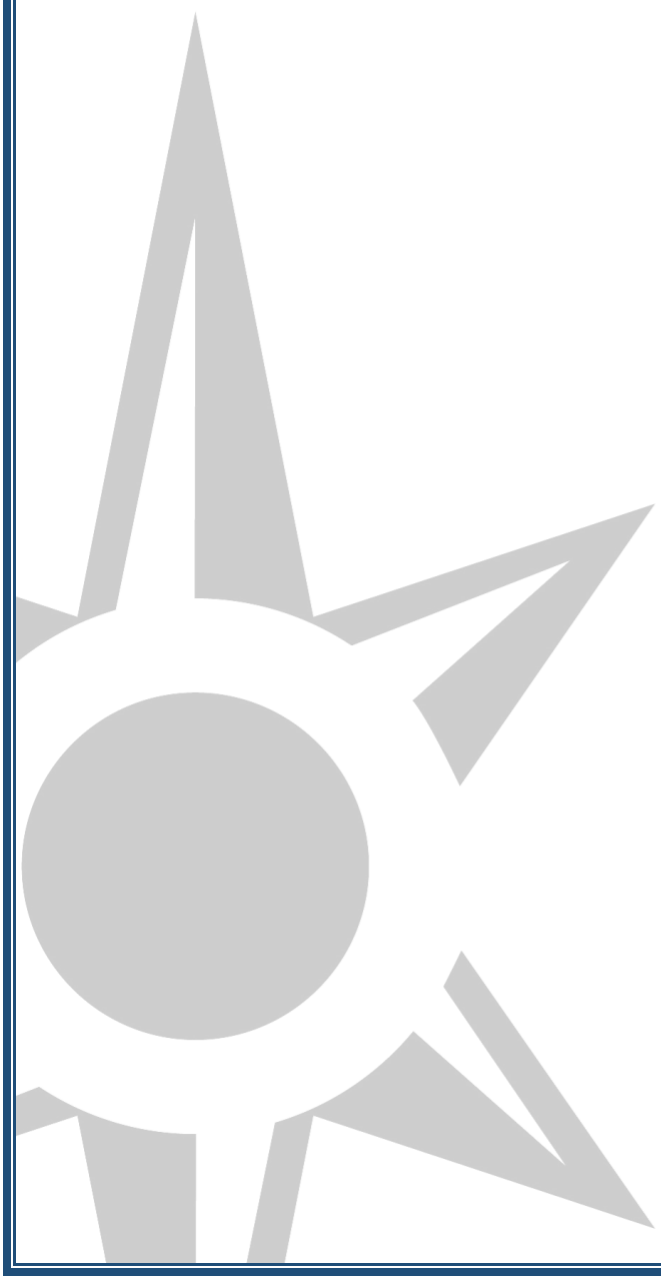

Executive Summary

Oorja Tapan

The semiconductor industry underpins modern technology, affecting a variety of sectors from consumer electronics to automotive production and defense. The COVID-19 pandemic exposed weaknesses in global supply chains, leading countries to rethink their reliance on foreign semiconductor manufacturing, especially from China. In response, both India and the US have initiated programs to boost their domestic capabilities. The global semiconductor supply chain has become pivotal to geopolitical and economic strategies in the post-pandemic world. While the industry is inherently global, the Indo-Pacific region is crucial. India and the United States have implemented numerous initiatives, policy frameworks, and production incentives to strengthen their semiconductor manufacturing and lessen dependency on foreign sources, particularly given China's influence over rare-earth materials and global value chains in the Indo-Pacific. This paper gives an overview of these initiatives and assesses their limitations. It also recommends partnering with the policies of other Quad countries (Japan and Australia) and seeks to decode broader implications for the global semiconductor landscape.

Introduction

Today, "semiconductors" mainly refer to integrated circuits, or "computer chips." The industry is critical to the global economy and crucial for both civil and military needs (it is essentially a form of dual-use technology). Semiconductors are present in data centers, phones, cars, washing machines, light bulbs, and more. In the US, semiconductors comprise only 0.3% of the GDP but are vital to 12% of the GDP[1]. India is striving to establish itself as a semiconductor manufacturing hub, driven by government initiatives and international partnerships. The India Electronics and Semiconductor Association projects that semiconductor consumption will grow from $22 billion in 2019 to $64 billion by 2026, with an anticipated $110 billion by 2030, representing about 10% of global demand.[2]

The COVID-19 pandemic revealed serious weaknesses in the global semiconductor supply chain, causing widespread disruptions across the automotive and consumer electronics industries[3]. As semiconductors become increasingly important for national security and economic development, nations have intensified their efforts to localize production and protect their supply chains. India currently accounts for 20% of the world's semiconductor design talent, with more than 35,000 engineers involved in chip design. [4] With strategic collaborations with global technology leaders like PSMC (Taiwan) and Synopsys (USA) and partnerships with countries such as the US and Japan, India is set to become a significant player in the global semiconductor value chain. India and the US, both prominent members of the QUAD alliance, have launched ambitious initiatives to enhance their semiconductor ecosystems. These initiatives are framed by China's stronghold on rare-earth mining and processing– crucial elements in semiconductor manufacturing– and its role in the global semiconductor value chain. Japan and Australia, the other QUAD participants, have also introduced supportive policies to improve supply chain resilience. This paper discusses these developments and their implications for regional and global dynamics. It focuses on China's rise as a technological powerhouse, the Indo-Pacific semiconductor GVCs, and Indo-US collaborations and prospects in the semiconductor techno-industrial policy ecosystem.

Contextual Background: The Semiconductor Ecosystem and the Indo-Pacific

Semiconductors form the backbone of contemporary technology, fueling progress in AI, the Internet of Things (IoT), telecommunications, and defense systems. Controlling semiconductor manufacturing provides an economic edge and constitutes a crucial strategic necessity. A value chain outlines the series of processes that convert economic inputs into outputs. Each link in this chain indicates a supplier-customer relationship, whether within a single organization or across different ones. The semiconductor industry boasts a remarkably intricate global supply chain that supports the aforementioned technological developments. Some companies fulfill various roles while others are highly specialized; however, no single company or country can currently manage all roles in the semiconductor supply chain for every type of semiconductor needed in today's economy. The supply chain is notably fragmented and globalized, encompassing raw material extraction, design, manufacturing, and assembly. Significant contributors include Taiwan, South Korea, and China, with the US leading in chip design while Taiwan and South Korea excel in manufacturing. [5] China's dominance over rare-earth elements and its integration into semiconductor global value chains afford it a considerable strategic advantage, bolstered by substantial investments in domestic production under its "Made in China 2025" initiative.[6]

[1] *Winning the Chip Race*. Washington, DC: Semiconductor Industry Association, January 2025. PDF file. Accessed July 1, 2025 https://www.semiconductors.org/wp-content/uploads/2025/01/SIA_WINNING-THE-CHIP-RACE_2025.pdf

[2] India Electronics and Semiconductor Association, *Monthly Newsletter, February 2024*, Vol. 02 (IESA, February 2024), https://iesaonline.org/storage/Newsletter/1707482384.pdf.

[3] McKinsey & Company, "COVID-19: Implications for Business," Executive Briefing, April 13, 2022, McKinsey & Company, https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/covid-19-implications-for-business

[4] Ramarko Sengupta, "Chip War: The India Chapter," *Analytics India Magazine*, June 18, 2024, https://analyticsindiamag.com/ai-features/chip-war-the-india-chapter/

[5] *Winning the Chip Race*, Semiconductor Industry Association, Washington, DC. January 2025 https://www.semiconductors.org/wp-content/uploads/2025/01/SIA_WINNING-THE-CHIP-RACE_2025.pdf.

[6] Qianzhan Industry Research Institute, "2019 Report on Current Conditions and Trends in the Artificial Intelligence Industry," *Centre for Security and Emerging Technology*, originally published September 2019 and translated December 18, 2019, https://cset.georgetown.edu/publication/2019-report-on-current-conditions-and-trends-in-the-artificial-intelligence-industry/

The semiconductor manufacturing process starts with design, where a chip's blueprint is created to optimize various parameters such as cost, power consumption, and capacity, according to the chip's specific requirements. Parts of a chip's design incorporate reusable intellectual property (IP), referred to as core IP, which companies license to ease the design load. The design phase encompasses pre-competitive research, electronic design automation (EDA) software, and core IP. The US leads the semiconductor design field, with American companies accounting for over 40% of the global integrated circuit (IC) design market, which includes revenues from EDA, semiconductor IP, and design services. The Centre for Security and Emerging Technology (CSET) at Georgetown University has analyzed and highlighted the supremacy of US firms in the chip design industry. Their December 2019 report, "Maintaining the AI Chip Competitive Advantage of the United States and its Allies," points out that the US and its allies maintain a competitive advantage in producing artificial intelligence (AI) chips, which are crucial for advanced AI research and applications.[7]

The report highlights that photolithography equipment is essential for China's advanced chips production of 45 nanometers or smaller, underscoring the strategic role of US and allied firms in global chip design. CSET research indicates that China's pursuit of a competitive photolithography industry has encountered major hurdles, including skilled labor shortages, technological complexities, and the dominance of established firms. These challenges strengthen US and allied positions in the semiconductor industry. In 2021, US companies like Cadence and Synopsys controlled around 70% of the EDA market, with the US Department of Commerce limiting specific EDA software exports to China.[8] Meanwhile, China's subsidized EDA industry is expanding, providing below-market-rate services to bridge the technology gap. The US excels in core IP production, with Intel, Cadence, and ARM accounting for over 90% of the core IP market in 2019, alongside the UK. Key materials for semiconductor manufacturing include silicon wafers, photomasks, and various chemicals, with the fabrication market surpassing $40 billion in 2021, focused mainly in the US, Germany, Japan, Taiwan, South Korea, and China.[9] While China is strong in raw materials like gallium and tungsten, fabrication facilities (fabs) require precise layers of transistors on a silicon wafer.[10] The precision required in semiconductor manufacturing is unparalleled globally, and the complexity and cost of semiconductor manufacturing equipment (SME) restricts supply to key firms and regions.

The Indo-Pacific region is a key semiconductor market, hosting most fabrication plants and accounting for 77% of the global market share in sales.[11] TechInsights provides analyses on the semiconductor supply chain, detailing sourcing, manufacturing, and industry players. Their reports highlight component design and production, aiding in supply chain navigation and trend identification.[12] The US and India have initiated various collaborations to enhance their semiconductor sectors, with the iCET initiative (now the TRUST initiative) promoting economic cooperation. Together, they plan to establish a semiconductor fabrication plant in India, strengthening their partnership. Purdue University has formed a semiconductor alliance with India, emphasizing workforce development and innovation, showing the potential for synergies in the sector.

The US is the global leader in wafer fabrication and advanced packaging equipment, while Japan excels in assembly and testing, representing over 70% of global wafer fab equipment. South Korea shares 4.2% of the market, and China primarily serves its domestic market with 98% of its output. The US holds 44% of the global wafer fabrication equipment market, with Chinese firms as major buyers, trailed by South Korea and Taiwan. The ATP market, worth $15.2 billion in 2021, is much smaller than the $90.8 billion wafer fabrication sector. Japan is the top assembly equipment supplier in the Indo-Pacific,

[7] Ibid.
[8] Ibid.
[9] Mordor Intelligence, "Global Semiconductor (Silicon) Intellectual Property Market: Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2025–2030)," Mordor Intelligence, March 18, 2025, https://www.mordorintelligence.com/industry-reports/global-semiconductor-silicon-intellectual-property-market-industry/.
[10] Elaine Kurtenbach, "China Bans Exports to US of Gallium, Germanium, Antimony in Response to Chip Sanctions," *AP News*, December 3, 2024, https://apnews.com/article/china-us-gallium-critical-tech-ban-711fdfcb7c09e0e0e6374192fd2e24fa.
[11] Akhil Thadani and Gregory C. Allen, "Mapping the Semiconductor Supply Chain: The Critical Role of the Indo-Pacific Region," *Centre for Strategic and International Studies*, May 30, 2023, https://www.csis.org/analysis/mapping-semiconductor-supply-chain-critical-role-indo-pacific-region/
[12] "Unlock Insights into the Global Semiconductor Supply Chain," *TechInsights*, April 14, 2025, https://www.techinsights.com/semiconductor-supply-chain?utm_source=direct&utm_medium=website.

serving as a provider to Taiwan, the US, China, and South Korea.[13]

With 1,215 of 1,470 global semiconductor facilities in the Indo-Pacific, the market is projected to reach $139 billion by 2026.[14] Recently, over 90 manufacturing projects worth nearly $450 billion have been announced in the US due to the CHIPS and Science Act, aimed at boosting production. SEMI predicts a $400 billion investment in chip-making equipment from 2025 to 2027, led by China, South Korea, and Taiwan, driven by geopolitical tensions and the demand for AI and memory chips.[15] These trends highlight the semiconductor ecosystem's critical growth worldwide. After wafer fabrication, individual chips undergo cutting, testing, and assembly for final products in the ATP segment, which is labor-intensive despite its complexities. Over 95% of ATP facilities are in the Indo-Pacific, with many OSAT providers in Taiwan, China, and Southeast Asian countries– especially Singapore, Malaysia, Vietnam, and the Philippines.[16]

The US CHIPS and Science Act, passed in August 2022, allocated nearly $50 billion to boost semiconductor manufacturing. Similarly, South Korea's K-Chips Act offers significant tax cuts for firms,[17] while Japan, India, and the EU have announced similar initiatives.[18] These developments highlight the need for policy alongside market forces in the global semiconductor industry, with motives including national security and technological sovereignty. Policymakers must acknowledge the vital role of Indo-Pacific nations in the semiconductor supply chain.

Despite ongoing efforts, no government has achieved complete self-sufficiency in semiconductor manufacturing. Policies should promote a robust semiconductor ecosystem by incorporating alliances that strengthen the US's role in the global supply chain while minimizing risks. The US Department of Commerce stresses the need to implement the CHIPS Act through coordinated investments, knowledge sharing, and trade facilitation.[19] Continuous collaboration with Indo-Pacific allies is crucial to reduce redundant investments and enhance each country's industry while addressing critical dependencies.

Recently, semiconductor shortages have emerged, affecting future industries reliant on these chips, including AI, 3D printing, and advanced robotics. This may impact tech companies and countries aiming to adopt new technologies. Historically, semiconductors have been essential across sectors like aerospace and automotive. The current shortage arises from several factors. Initially, the COVID-19 pandemic caused foundries to shift supply chains toward sectors with increased demand, making recovery to pre-pandemic levels difficult. Disasters like fires and earthquakes also hindered key supply-chain hubs. A major earthquake in Japan in February 2021 disrupted production, and a fire at a Renesas factory affected global orders from automakers.[20] A drought in Taiwan also reduced water supply at the Taichung chip-making hub, as manufacturers were urged to conserve water.[21]

Furthermore, Moore's Law, which suggested that transistor counts in integrated circuits double every two years, now progresses more slowly and may be nearing obsolescence. Recent estimates indicate that achieving this doubling now requires eighteen times more resources than in 1970. The manufacturing process has become increasingly capital-intensive and complex, leading to capacity issues. Experts also cite rising chip design costs and challenges in attracting talent amid high risks and rewards as additional obstacles for the semiconductor industry.

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[13] Akhil Thadani and Gregory C. Allen, "Mapping the Semiconductor Supply Chain: The Critical Role of the Indo-Pacific Region," *Centre for Strategic and International Studies*, May 30, 2023, https://www.csis.org/analysis/mapping-semiconductor-supply-chain-critical-role-indo-pacific-region/

[14] Christian Gregor Dieseldorff and Chih-Wen Liu, *World Fab Forecast: Period 2024 to 2026* (Milpitas, CA: SEMI—World Fab Forecast report, June 4, 2025), https://www.semi.org/en/products-services/market-data/world-fab-forecast.

[15] Ibid

[16] Akhil Thadani and Gregory C. Allen, "Mapping the Semiconductor Supply Chain: The Critical Role of the Indo-Pacific Region," *Centre for Strategic and International Studies*, May 30, 2023, https://www.csis.org/analysis/mapping-semiconductor-supply-chain-critical-role-indo-pacific-region/

[17] Jeong-Ho Lee and Sohee Kim, "South Korea to Pass Own 'Chips Act' to Boost Its Semiconductor Industry amid US–China Friction," *The Economic Times*, March 30, 2023, https://digital-strategy.ec.europa.eu/en/news/eu-invests-eu325-million-support-europes-semiconductor-innovation-ecosystem.

[18] "EU Invests €325 Million to Support Europe's Semiconductor Innovation Ecosystem," *Shaping Europe's Digital Future*, July 4, 2024, https://economictimes.indiatimes.com/small-biz/indias-semiconductor-ambitions-bridging-the-gap-with-the-us/articleshow/121461685.cms

[19] The White House. "Fact Sheet: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China." Briefing Room, August 9, 2022. https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/

[20] "Japanese Carmakers Assess Impact of Fire at Renesas Chip Plant." *Reuters*, March 22, 2021 https://www.reuters.com/article/technology/japanese-carmakers-assess-impact-of-fire-at-renesas-chip-plant-idUSKBN2BE05D/

[21] Amber Wang, "Taiwan's Worst Drought in Decades Deepens Chip Shortage Jitters." *Taipei Times*, April 22, 2021. https://www.taipeitimes.com/News/feat/archives/2021/04/22/2003756133.

Lastly, and most importantly, the Trump administration implemented export-control measures in 2019 to restrict the transfer of certain semiconductor technologies to specific Chinese entities. These regulations were tightened further in 2020. However, prior to the enforcement of these measures, Chinese firms stockpiled substantial amounts of semiconductor technologies and equipment, intensifying the shortage. Companies like Huawei[22] amassed resources and placed orders for several months or even years' worth of semiconductors for products including Xilinx's field-programmable gate arrays, which are crucial to Huawei's base station technology. As a result, there was a notable spike in chip demand before the pandemic, further worsening the ensuing chip shortage.

The US's export control regulations, managed by the Department of Commerce's Bureau of Industry and Security (BIS), aim to enforce rules on exporting and re-export commodities, software, and technologies to support national security and economic goals. US export measures have driven significant restructuring in semiconductor supply chains, with the Biden administration considering additional actions to prevent technology transfer to China. This has led to a gradual decoupling[23] between the two nations, particularly as American companies distance themselves from Beijing due to ongoing intellectual property theft and aggressive Chinese industrial policies, such as the Made in China 2025 initiative.[24] This initiative's goals spurred concerns over unfair trade practices, marking a shift in perceptions across various sectors in the US. The Trump administration has recognized that previous "strategic engagement" with China was ineffective, prompting a more assertive US stance.

Historically, the US did not view semiconductor supply chains as a national security issue from the Reagan to the Obama administrations, leading to significant offshoring of manufacturing jobs to countries like Japan, South Korea, and Taiwan without a cohesive strategy.[25] The increasing costs of integrated device manufacturers (IDMs) and the business model pioneered by the Taiwan Semiconductor Manufacturing Company (TSMC) made outsourcing fabrication more attractive, prompting many IDMs to relocate operations to East Asia.

This shift aligned with the rise of globally integrated enterprises, as companies like Texas Instruments and IBM sought to secure critical components amidst the evolving consumer electronics market. While supply chains were managed well in the past, their importance surged during the Trump administration, which adopted a more aggressive stance toward China, labelling it a "revisionist power" in its 2017 National Security Strategy. The US also extended export controls through the Foreign Direct Product Rule (FDPR), targeting Chinese firms and tightening restrictions on AI chip exports.[26]

Both nations intensified their focus on semiconductors, with the US pursuing self-reliance through the Chips and Science Act of 2022. China, meanwhile, aimed to enhance its manufacturing via Made in China 2025. China identifies semiconductors as crucial for technological innovation, moving from a platform economy post-2008 to hard-tech advancements. This emphasis on hard tech seems permanent. The global shift to secure supply chains in critical technologies, exacerbated by the US-China trade war and export controls, prompts reflection on future trends. Decisions from the Obama administration indicate a conscious effort to revive US advanced semiconductor manufacturing, which had significantly declined during the era of offshoring. As East Asia has maintained semiconductor capabilities for decades, this shift may deliberately disrupt global supply chains.

Export controls have made China realize it needs an indigenous semiconductor industry due to limited access to advanced machinery. While China's funding is sufficient, a major challenge it faces is the industry's iterative nature, which thrives in clusters. Shipping, talent, and shared R&D are crucial, and

[22] "Global Economy Feels Strain as Major Economies Slow, Says IMF." *BBC News*, June 16, 2020. https://www.bbc.com/news/business-52681414.

[23] Despite Tariff Pause, U.S. and China Continue Bitter 'Decoupling'." *The Washington Post*, May 29, 2025. https://www.washingtonpost.com/world/2025/05/29/us-china-decoupling-accelerates/

[24] Saif M. Khan. *U.S. Semiconductor Exports to China: Current Policies and Trends*. Washington, DC: Center for Security and Emerging Technology, October 2020. https://cset.georgetown.edu/wp-content/uploads/U.S.-Semiconductor-Exports-to-China-Current-Policies-and-Trends.pdf.

[25] Alicke, Knut, Ed Barriball, and Vera Trautwein. *How COVID-19 Is Reshaping Supply Chains*. McKinsey & Company, November 2021. https://www.mckinsey.com/~/media/mckinsey/business%20functions/operations/our%20insights/how%20covid-19-is-reshaping-supply-chains/how-covid-19-is-reshaping-supply-chains_final.pdf

[26] Saif M. Khan. *U.S. Semiconductor Exports to China: Current Policies and Trends*. Washington, DC: Center for Security and Emerging Technology, October 2020. https://cset.georgetown.edu/wp-content/uploads/U.S.-Semiconductor-Exports-to-China-Current-Policies-and-Trends.pdf.

firms prefer proximity to fabrication facilities for collaboration, leading to shorter delivery times. Exclusion from this ecosystem presents hurdles for China, making replication difficult. In light of these challenges, the Biden administration created the Supply Chain Disruptions Task Force to enhance transparency and map supply chains. The shift in supply chains indicates a partial decoupling.[27] For instance, Samsung will begin semiconductor production in Vietnam[28] in July 2023 as part of its diversification strategy amid competition with China and the US. Meanwhile, UK companies are reconsidering[29] supply chains in a "world decoupled from China."

The second effect may disrupt supply chains for products beyond semiconductors, as Chinese entities are hesitant to purchase items not on the US export-control list, fearing further restrictions. The trade war and tech export controls contribute to a decoupling of Chinese and American economies. American firms are reducing purchases from China, while uncertain Chinese suppliers may stop buying American products. US policies,[30] such as investment screening, sanctions related to Xinjiang, and encouraging allies to exclude Huawei from 5G networks, exacerbate this decoupling dynamic.

The MIC 2025 plan has drawn attention to China's use of subsidies, intellectual property theft, and state-owned enterprises (SOEs), which were detailed in the US Trade Representative's 2018 report. China's chances of reversing the trade war are slim, as it is unlikely to abandon its subsidy practices, which bolster key sectors and support SOEs.[31] Despite inefficiencies, SOEs are crucial to China's economic strategies and government backing. While China has improved its competitiveness and innovation, its efforts against intellectual property theft remain inadequate. Industrial espionage is likely to continue, supported by a network of stakeholders.[32] The US-China trade war is expected to persist, evolving into a competition over technology standards, particularly in semiconductors. As manufacturing costs rise, global uniformity in components becomes essential, emphasizing the need for standard dominance in tech rivalry. The US may require a more proactive approach, while China's state-driven model seeks to secure control through initiatives like China Standards 2035. Concerns exist over the close relationship between the Chinese government and companies in standards development.

Observers note that no amount of stacked Standards Development Organizations (SDOs)[33] can offset weak technical credentials or a lack of market acceptance. Enforcing local standards often fails globally, risking exclusion from international norms and trade, leading to potential technical isolation[34]—a challenge illustrated by the "Galapagos syndrome." China acts as a "selective revisionist" power, utilizing multilateral institutions like the WTO and World Bank to boost its economic status while maintaining roles in organizations like the UN and WHO. The Belt and Road Initiative (BRI) aids in establishing Chinese standards through investments, allowing companies like Huawei to influence global norms.

The competition in rare earth elements (REEs) and semiconductors highlights US-China dynamics.[35] While China has strong investments in REE extraction, countries like India and Vietnam are

[27] Lida R Weinstock, *Summary of Selected Biden Administration Actions on Supply Chains*. CRS Insight IN11927. Washington, DC: Congressional Research Service, June 14, 2022. https://www.congress.gov/crs_external_products/IN/PDF/IN11927/IN11927.3.pdf. Also, check the Task Force details - The White House. *"Fact Sheet: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities."* Briefing Room, June 8, 2021. https://www.bidenwhitehouse.archives.gov/briefing-room/statements-releases/2021/06/08/fact-sheet-biden-harris-administration-announces-supply-chain-disruptions-task-force-to-address-short-term-supply-chain-discontinuities/.

[28] U.S. Chamber of Commerce. "Chapter 3: Decoupling, Derisking and Diversifying: Rethinking Russia, China and Global Supply Chains." In *The Transatlantic Economy 2023*. Washington, DC: U.S. Chamber of Commerce, 2023. https://www.uschamber.com/international/trade-agreements/the-transatlantic-economy-2023/chapter-3-decoupling-derisking-and-diversifying-rethinking-russia-china-and-global-supply-chains.

[29] Syed Inam Ali Naqvi, "Trump's Return Accelerates U.S.-China Decoupling: Asia Caught in the Crossfire." *Modern Diplomacy*, January 28, 2025. https://moderndiplomacy.eu/2025/01/28/trumps-return-accelerates-u-s-china-decoupling-asia-caught-in-the-crossfire/.

[30] Christopher Mims, "The U.S. Plan to Hobble China Tech Isn't Working," *The Wall Street Journal*, May 31, 2025, https://www.wsj.com/tech/the-u-s-plan-to-hobble-china-tech-isnt-working-56d1a512.

[31] Wu Yi, "The China Standards 2035 Strategy: Recent Developments and Implications for Foreign Companies," *China Briefing*, July 26, 2022, https://www.china-briefing.com/news/china-standards-2035-strategy-recent-developments-and-their-implications-foreign-companies/.

[32] Matt Sheehan, Marjory S. Blumenthal, and Michael R. Nelson, "Three Takeaways From China's New Standards Strategy," *Carnegie Endowment for International Peace*, October 28, 2021, https://carnegieendowment.org/research/2021/10/three-takeaways-from-chinas-new-standards-strategy.

[33] Shawn Kim, "China Standards 2035: How China Plans to Win the Future with Its Own International Tech Standards," *South China Morning Post*, May 21, 2021, https://www.scmp.com/comment/opinion/article/3134216/china-standards-2035-how-china-plans-win-future-its-own.

[34] Robert Schroeder, "U.S.-China Trade Talks: Here's One Sticking Point in Getting Back on Track," *MarketWatch*, May 30, 2025, https://www.marketwatch.com/story/u-s-china-trade-talks-heres-one-sticking-point-in-getting-back-on-track-4863ada7.

[35] Sumantra Bibhuti Barooah and Shally Mohile, "Magnet Crisis: Auto Giants Rush to China for Rare Earth Rescue," *Economic Times* (New Delhi), May 31, 2025, https://economictimes.indiatimes.com/industry/auto/auto-news/magnet-crisis-auto-giants-rush-to-china-for-rare-earth-rescue/articleshow/121525090.cms.

revitalizing their own capabilities. In the semiconductor industry, high-value operations remain concentrated in the US, though India has emerging design firms, and Singapore is a manufacturing hub. As countries seek self-sufficiency in supply chains, excessive focus on this goal could lead to inward-looking, incompatible systems. The competition for standard-setting in semiconductors is intensifying among China, Europe, and the United States, with none holding clear dominance.

Global Supply Chains Face Risks: States Responding with Resilience

Supply chain disruptions are driven by global threats such as the Russia-Ukraine conflict,[36] Israel-Palestine tensions, [37] recent Red Sea attacks in 2023-24, [38] Northeast Asian conflicts, maritime insecurity and piracy, US-China trade disputes, and natural disasters. Experts categorize these by event nature, impact, frequency, and scope. Key concerns include trade remedies, armed conflict, and financial crises, with China's control over semiconductor resources and export restrictions posing significant risks to global trade. Ongoing US-China tensions have escalated, with US export controls affecting semiconductor sales. This potentially disadvantages US competitors and has led to about $130 billion loss[39] in R&D for China. Both nations are working to reduce dependencies, with China's hold on key minerals raising US security concerns. Traditional risks such as natural disasters, as well as the 2022 Russian invasion, which disrupted neon gas supplies, further challenge supply chain resilience.

Firms are bracing for increased disruptions, with predictions of significant interruptions every two years and substantial disruptions every five years. Ongoing investments in resilience will be necessary, though risks cannot be entirely mitigated. Geographic shifts are vital as businesses relocate from China. A recent American Chamber of Commerce survey shows 40 per cent of firms redirecting investments to Southeast Asia, while over 70 per cent of US companies in China[40] are relocating or planning to, up from 60 per cent in April 2023. Some firms[41] are not just pursuing a China+1 strategy but also implementing Taiwan+1 strategies to diversify semiconductor manufacturing and lessen regional disruptions.

States are bolstering their economic security by fostering advanced technology manufacturing through strategic investments, talent development, and grant programs. Nations such as the US, members of the EU, Japan, South Korea, Australia, and India recognize common challenges and adopt varied approaches to address them. They evaluate dependencies and vulnerabilities in critical sectors like semiconductors, advocating for "right-shoring" and "reshoring" to reduce reliance on any single region. Governments are promoting investments in advanced tech manufacturing through subsidies, tax credits, and workforce initiatives to ensure a robust supply chain.

Understanding China's Ascent as a Technological Power

China's rise as a global technological power is driven by multiple factors that go beyond simple explanations. While forced technology transfer and industrial espionage have played roles, they don't capture the full story. The real drivers are substantial research and development (R&D) investments, education, and government policies that foster innovation. State capitalism, where the government collaborates with state-owned and private enterprises, is also important, as seen in the success of companies like Alibaba and Tencent. Additionally,

[36] "How the Russia–Ukraine War Has Impacted on Logistics Routes and Supply Chains," GMK Center, accessed July 2, 2025, https://gmk.center/en/posts/how-the-russia-ukraine-war-has-impacted-on-logistics-routes-and-supply-chains/

[37] "Israel Raw Materials Supply Chain Affected by Israel-Hamas Conflict", Market Intelligence, U.S. Department of Commerce/International Trade Administration, September 26, 2024, https://www.trade.gov/market-intelligence/israel-raw-materials-supply-chain-affected-israel-hamas-conflict.

[38] "Effect of Supply Chain Disruptions," *Maersk Insights*, February 13, 2024, accessed July 2, 2025, https://www.maersk.com/insights/resilience/2024/02/13/effect-of-supply-chain-disruptions.

[39] Matthew Eitel, "No Carrots, Just Sticks: U.S. Bullying Allies on China Chips," Centre for European Policy Analysis (CEPA), July 29, 2024, https://cepa.org/article/no-carrots-just-sticks-us-bullying-allies-on-china-chips/

[40] Matthew Eitel, "No Carrots, Just Sticks: U.S. Bullying Allies on China Chips," Centre for European Policy Analysis (CEPA), July 29, 2024, https://cepa.org/article/no-carrots-just-sticks-us-bullying-allies-on-china-chips/

[41] U.S. Department of State, "The U.S. Department of State International Technology Security and Innovation Fund," last modified July 8, 2024, U.S. Department of State, https://2021-2025.state.gov/the-u-s-department-of-state-international-technology-security-and-innovation-fund/. Also check for further details- Jensen Huang, "Nvidia Beats Sales Forecasts Despite Donald Trump's H20 Chip Export Ban," The Times, May 27, 2025, https://www.thetimes.com/business-money/companies/article/nvidia-beats-sales-forecasts-despite-donald-trumps-h20-chip-export-ban-mpg5265h3.

integration into global value chains (GVCs)[42] and the influx of foreign direct investment (FDI) have facilitated initial technological development by bringing in capital and expertise. Furthermore, due to their innovative efforts, Chinese firms have increasingly led in key sectors like 5G and artificial intelligence. [43] Modularization has enhanced production efficiency and allowed China to scale its manufacturing capabilities, but it is not the main reason for its high-tech leadership. Instead, it serves as a critical step in China's technological advancement.

China's non-allied geopolitical status has contributed to its technological progress by allowing it to navigate regulatory constraints set by Western nations. However, its advancements mainly stem from internal strategies, particularly investments in artificial intelligence, 5G, and quantum computing. While trade tensions and tech sanctions pose challenges, China's engagement in global initiatives also influences innovation. Global value chains have enhanced the country's manufacturing capabilities, but it is now shifting from being an assembly hub to a leader in design and innovation. "Brain circulation,"[44] where Chinese nationals return from abroad to work in Chinese industries, has further fueled this growth. Key drivers of China's success include institutional R&D, substantial infrastructure investment, and a robust domestic tech ecosystem.

Although geopolitical factors like a large population influence growth, factors like internal policies, education, R&D investments, and market dynamics are more significant. Understanding China's technological rise requires acknowledging the synergy of government strategies, infrastructure, education, and a thriving private sector. China's rise as a technology powerhouse stems from complex political, economic, and social dynamics. A key factor is "creative insecurity," where external threats compel a nation to innovate. For China, competition from the US and other developed economies spurs technological progress necessary for survival and relevance. Political rivalries can accelerate innovation, as the need to surpass external competitors often overshadows internal politics.

China's "Selective Authoritarian Mobilization and Innovation Model" aligns political and economic incentives to drive technological advancement, focusing on key projects like AI and 5G for efficient coordination. This approach fosters rapid progress and encourages both public and private investment in megaprojects, promoting iterative innovation tailored to local needs and emphasizing self-reliance through the Innovation and Development Driven Strategy.

Significant investments in human capital and infrastructure have bolstered China's technological growth, particularly in STEM education,[45] where the percentage of uneducated adults dropped from 42% in 1980 to 8.2% in 2010. A more decentralized science and technology ecosystem has emerged, with private sector R&D now making up about 70% of total expenditures, alongside GERD exceeding 2% of GDP. China's emphasis on adapting foreign technologies through applied R&D has contributed to its rise as a tech powerhouse. Key elements outlined in Taylor's "Five Pillars of Innovation" [46] include efficiency, autonomy, property rights, R&D subsidies, education, and trade policies. Enhanced intellectual property laws and government support for cutting-edge research further stimulate R&D investment.[47] China leverages trade agreements to access foreign technologies while building a robust domestic innovation environment, positioning itself as a leader in the tech industry.

A key strategy is the "Do It Yourself" model, which drives efforts to achieve critical technological objectives, especially when there's national agreement, as seen in the "Two Bombs, One Satellite"

[42] Manoj Joshi, "Invest, Acquire, Dominate: The Rise and Rise of China Tech", Occasional Paper no. 223, Observer Research Foundation, November 2019, https://www.orfonline.org/research/invest-acquire-dominate-the-rise-and-rise-of-china-tech/.

[43] "The Age of AI in U.S.-China Great-Power Competition: Strategic Implications, Risks, and Global Governance," Beyond the Horizon Strategic Intelligence Service Group, February 3, 2025, https://behorizon.org/the-age-of-ai-in-u-s-china-great-power-competition-strategic-implications-risks-and-global-governance/

[44] "The Chinese Global Brain Turning Back to Home," Investigative Reports, Investigative Journalism Reportika, May 2025, https://ij-reportika.com/the-chinese-global-brain-turning-back-to-home/.

[45] "Can China Overcome the Barriers to STEM Education Equality?" *Press Xpress*, October 20, 2024, https://pressxpress.org/2024/10/20/can-china-overcome-the-barriers-to-stem-education-equality/

[46] Mark Zachary Taylor, "Does Technology Need Government? The Five Pillars of Innovation," in *The Politics of Innovation: Why Some Countries Are Better Than Others at Science and Technology* (New York: Oxford University Press, 2016; online ed., Oxford Academic, August 18, 2016), https://doi.org/10.1093/acprof:oso/9780190464127.003.0004, accessed May 31, 2025.

[47] Guolong Quan, "Tracking STEM Education Development in China: National, Regional, and Local Influences," in *STEM in the Technopolis: The Power of STEM Education in Regional Technology Policy*, ed. [Editor(s) Not Listed] (Cham: Springer, first online May 28, 2020), 251–83, https://doi.org/10.1007/978-3-030-39851-4_14

program.[48] This initiative concentrated on nuclear weapons, ICBMs, and artificial satellites, highlighting China's pursuit of self-sufficiency in essential tech sectors. While it resulted in notable achievements, it was less successful at transferring technology to the civilian economy, as institutions like the Chinese Academy of Sciences often aimed for single significant products rather than widely applicable innovations.

In the initial stages of China's technological development,[49] the "Buy It" strategy focused on acquiring machinery and technology from global leaders to close gaps. This prevalent practice became unsustainable due to high acquisition costs after Deng Xiaoping's economic reforms.[50] As a result, China transitioned to importing soft-technology licenses, enabling the acquisition of pivotal technologies without the burdens of physical assets and creating a more cost-effective approach. The "Bargain for It" strategy facilitated technology acquisition from multinationals (MNCs) in exchange for access to China's market, also known as the Technology Market Foreign Transfer[51] strategy. This encouraged foreign firms to share advanced technologies with Chinese companies for preferential market access, leading to successes like the partnership between Shanghai Bell Alcatel and its Belgian parent, which enabled significant technology transfers for telecommunications chips, propelling firms like ZTE and Huawei.

China's "Seed It" strategy fostered indigenous innovation, emphasizing a domestic R&D ecosystem. Competitive grants for research institutions, backed by government funding, prioritized national objectives. The 86-3 Program aimed to advance technology with initiatives like the Loongson processor and Tianhe supercomputers, boosting self-reliance. By merging public and private investments, the Chinese Government Guidance Funds established 1,741 funds by early 2020, targeting $1.55 trillion, although challenges like bureaucratic inefficiencies have hindered the effectiveness of this effort. China further used the "Encourage Spin-Offs" strategy to integrate technology into the civilian economy, prompting research institutions to create commercial subsidiaries of academic research. While state-owned, these subsidiaries had limited supervision, leading to the creation of firms like Lenovo, although success rates vary between different firms. This approach shifted China's high-tech enterprise model, granting autonomy and encouraging entrepreneurship.

Foreign Direct Investment (FDI) became crucial after China's 1992 market liberalization, enabling multinational tech firms to operate while exposing local companies to global leaders and technologies. China gradually transitioned from dependence on FDI to developing its capabilities via foreign collaborations, as exemplified by Lenovo, Oracle, Langchao, and LG. Moreover, the large transnational Chinese tech community aids technology transfer through shared networks. In conclusion, China combines self-reliant innovation with strategic collaborations to achieve its technological goals. Through tools like mission-driven initiatives, technology licensing, and foreign investments, it has accelerated development and established itself as a global innovation leader.[52] Significant investments in education and infrastructure have also strengthened its competitive tech sector.

Since 1999, China has shifted its focus[53] from state-owned enterprises (SOEs) to supporting micro, small, and medium enterprises, as well as startups and tech spin-offs. China has been offering tax breaks and low-interest credit to stimulate growth in non-state firms, acknowledging their importance in the innovation ecosystem. The rise of hybrid firms demonstrates the government's recognition that private sector dynamism is essential for technological advancement. China employs tactics[54] such as espionage and a

[48] "China Shows Robust Development in Nuclear and Space Technologies," CGTN, September 18, 2024,https://news.cgtn.com/news/2024-09-18/China-shows-robust-development-in-nuclear-and-space-technologies-1wZBNfc03Xa/p.html

[49] "Assessing China's AI Development and Forecasting Its Future Tech Priorities," Strategic Insights Memos, Atlantic Council, September 18, 2024, https://www.atlanticcouncil.org/content-series/strategic-insights-memos/assessing-chinas-ai-development-and-forecasting-its-future-tech-priorities/+.

[50] "China's Neoliberal Turn (1978–89): How Deng Xiaoping Transformed China's Economy," Explaining History, April 5, 2025, https://explaininghistory.org/2025/04/05/chinas-neoliberal-turn-1978-89-how-deng-xiaoping-transformed-chinas-economy-explaining-history/

[51] Zhang Weilan and Liu Xin, "China's BCI Industry Highlights New Efforts in Innovation, Funding; Ready for Clinical Validation: Expert," *Global Times*, February 11, 2025, https://www.globaltimes.cn/page/202502/1328236.shtml.

[52] Xiuping Jiang and Chunxia Jiang, "Government R&D Subsidies, Bank Credit and the Innovation Efficiency of High-Tech Enterprises," *International Review of Economics & Finance* 96, pt. A (2024): 103565, https://doi.org/10.1016/j.iref.2024.103565.

[53] "Implications of China's AI Strategy: State Engineering, Domestic Challenges, and Global Competition," Asia Society, March 27, 2024, https://www.asiasociety.org/policy-institute/implications-chinas-ai-strategy-state-engineering-domestic-challenges-and-global-competition/

[54] James Andrew Lewis, *Rethinking Technology Transfer Policy toward China*, CSIS Analysis, Center for Strategic and International Studies, November 17, 2023), https://www.csis.org/analysis/rethinking-technology-transfer-policy-toward-china.

"Steal It" approach to acquire technology legally and illegally. While state-guided espionage may be overstated, many acquisitions are through public statutes and policies, ranging from legal collaborations to patent infringement. Extra-legal methods include technology transfer programs and recruiting overseas talent. China focuses on "The Maker, not the Product," prioritizing the recruitment of skilled researchers. [55] Initiatives like National Technology Transfer Centres and Returnee Parks attract overseas Chinese researchers, and the Chengdu High-Tech Industrial Development Zone has established offshore innovation centers in Japan, Europe, and the US for collaborative research.

A centerpiece of this strategy is the Young Thousand Talent Program (YTT), [56] launched in 2008, which offers research packages, competitive salaries, and startup funds for top foreign graduates. From 2008 to 2018, over 7,000 researchers, primarily from the US, participated, achieving high publishing and research output. However, due to US criticism regarding espionage, the YTT transformed into the National High-end Foreign Experts Recruitment Plan in 2019, which no longer publishes funded scholars' names. Despite challenges, YTT has effectively fostered scientific research and innovation in China, enhancing its global technological standing. The US response underscores geopolitical tensions surrounding China's tech acquisition and concerns about potential technology transfer. [57] In summary, China's varied and extensive strategies to support domestic entrepreneurship and innovation include firm support and talent programs like YTT, effectively boosting its technological capacity amidst criticism[58] and positioning it as a key player in the global tech competition.

Lessons to be learned from China's Semiconductor Industry

China's semiconductor industry significantly impacts US-China tensions and the global value chain, which have important implications for technological advancement and geopolitical strategies. Although it makes up 36% of global electronics manufacturing, China produced only 7.6% of global semiconductor sales in 2020 and sourced just 16% of its required chips locally, illustrating its dependency on imports and foreign technology, especially for high-end semiconductors. [59] China satisfies 38% of global assembly demand and has improved in mid-tier chip design. [60] However, it struggles with high-end production due to low yield rates and reliance on foreign Electronic Design Automation (EDA) tools. National security concerns, particularly with the People's Liberation Army's (PLA) civil-military integration, emphasize the need for an independent semiconductor ecosystem.[61]

In response to these challenges, the Chinese government prioritized semiconductors in its 14th Five-Year Plan [62] by providing significant funding through initiatives like the China Integrated Circuit Industry Investment Fund (CICIIF),[63] along with tax incentives and low-interest loans to boost industry growth and technological self-sufficiency. This approach indicates a shift toward hybrid firms—those blending state support with market strategies—which have proven more effective than direct state control by allowing flexibility and innovation. Known as "hidden dragons," [64] these firms utilize a mix of public backing and private-sector agility for technological advancement and global competitiveness. Meanwhile, under-supported domestic firms struggle with technological progress and remain low on the semiconductor value chain.

[55] *Global Labour in Distress, Volume I: Globalization, Technology and Labour Resilience*, ed. Pedro Goulart, Raul Ramos, and Gianluca Ferrittu (Cham: Palgrave Macmillan/Springer, first online January 1, 2023), https://doi.org/10.1007/978-3-030-89258-6_6.

[56] "Evaluating the Success of China's 'Young Thousand Talents' STEM Recruitment Program," *Stanford Center on China's Economy and Institutions China Briefs*, accessed July 3, 2025, https://sccei.fsi.stanford.edu/china-briefs/evaluating-success-chinas-young-thousand-talents-stem-recruitment-program.

[57] Jie Yan, Dorothy E. Leidner, and Uchenna Peters, "Global Techno-Politics: A Review of the Current Status and Opportunities for Future Research," *International Journal of Information Management* 75 (2024): 102729, https://doi.org/10.1016/j.ijinfomgt.2023.102729.

[58] James Andrew Lewis, *Rethinking Technology Transfer Policy toward China*, CSIS Analysis, Center for Strategic and International Studies, November 17, 2023), https://www.csis.org/analysis/rethinking-technology-transfer-policy-toward-china.

[59] Semiconductor Industry Association, *Taking Stock of China's Semiconductor Industry* (2021), https://www.semiconductors.org/wp-content/uploads/2021/07/Taking-Stock-of-China%E2%80%99s-Semiconductor-Industry_final.pdf.

[60] Ibid

[61] Semiconductor Industry Association, *Taking Stock of China's Semiconductor Industry* (2021), https://www.semiconductors.org/wp-content/uploads/2021/07/Taking-Stock-of-China%E2%80%99s-Semiconductor-Industry_final.pdf.

[62] Christopher A. Thomas, "Lagging but Motivated: The State of China's Semiconductor Industry," *Brookings Institution*, June 30, 2025, https://www.brookings.edu/articles/lagging-but-motivated-the-state-of-chinas-semiconductor-industry/.

[63] "China Sets Up $47.5 Bln State Fund to Boost Semiconductor Industry," *Reuters*, May 27, 2024, https://www.reuters.com/technology/china-sets-up-475-bln-state-fund-boost-semiconductor-industry-2024-05-27/.

[64] Douglas B. Fuller, *Paper Tigers, Hidden Dragons: Firms and the Political Economy of China's Technological Development* (Oxford: Oxford University Press, 2016).

Despite government backing, China's semiconductor industry has encountered hurdles [65] such as dependency on foreign technology, constrained high-end chip production, and weaknesses within its national security framework. However, strategic investments and favorable procurement policies have laid the groundwork for advancement. Striking a balance between state control and market-led innovation will be crucial in determining the sector's future. The success of China's innovation stems from unique fundamental and proximate factors, with no single model to emulate. Policy efficacy differs by industry: for example, telecommunications companies outperform semiconductor firms, [66] underscoring the relevance of context. A well-educated, skilled workforce is vital for nurturing China's innovation. Nonetheless, rising geopolitical tensions have diminished its competitive leverage in science and technology. The government's emphasis on innovation yields greater benefits than isolated policies, although informal social networks also play a crucial role. Tight-fisted state regulations might stifle creativity, as companies face opportunity costs in pursuing innovation, often without sufficient state support. A thorough evaluation of claims regarding China's feats of innovation is essential, as such claims may cater to the interests of the Chinese Communist Party, or to domestic political pressures in the US.

India can bolster [67] its semiconductor strategy by drawing lessons from China's blend of state and market-guided initiatives. Key takeaways include adopting a holistic approach that combines government intervention with incentives for private enterprises. China's semiconductor achievements, especially in telecommunications, were propelled by deliberate funding, tax incentives, and hybrid companies that merged state influence with market dynamics. India could mimic this by providing targeted financial support, establishing incentive mechanisms for domestic companies, and promoting public-private collaborations within its semiconductor sector. Furthermore, China's experience underscores the necessity of a trained workforce and the significance of informal networks in fostering innovation. India should invest in education and skill development focused on semiconductor technology and leverage its global network of Indian scientists for technology transfer.

Promoting synergy among industry, academia, and government is essential for creating a robust semiconductor research ecosystem. There are significant opportunities for collaboration between the US and India in the semiconductor industry. The US houses leading semiconductor companies and advanced technologies, while India offers a skilled, affordable workforce and a burgeoning market. Both countries can gain from collaboration in semiconductor design and manufacturing ventures. India can harness US expertise to improve its production capabilities, while US companies can access India's consumer market and decrease dependency on Chinese supply chains. Concentrated initiatives in research, development, and joint manufacturing efforts could promote reciprocal growth and build a diversified global supply network.

The US Semiconductor Strategy

The industry's origins can be traced to the 1950s and 1960s, which were marked by substantial contributions from companies such as Fairchild Semiconductor and Texas Instruments. These pioneers established the foundation for the rise of Silicon Valley as a global technology hub. The formation of the Semiconductor Industry Association (SIA) in 1977 marked a concerted effort to unify the sector and advocate for its interests. [68] The US sustained its semiconductor design and innovation leadership in the following decades. However, manufacturing progressively shifted to Asia, particularly to Taiwan and South Korea, due to cost efficiencies and advantageous industrial policies overseas. This relocation raised concerns regarding supply chain vulnerabilities and national security, particularly as semiconductors became essential for defense, healthcare, and critical infrastructure.

The Employ America report, "A Brief History of Semiconductors: How the US Cut Costs and Lost the Leading Edge," analyzes the evolution of the US semiconductor industry, emphasizing the shift from

[65] Nigel Inkster, Emily S. Weinstein, and John Lee, "Ask the Experts: Is China's Semiconductor Strategy Working?" *LSE Asia Foresight*, September 1, 2022, https://blogs.lse.ac.uk/cff/2022/09/01/is-chinas-semiconductor-strategy-working/.

[66] Ling Li, *The Political Logic of China's Science and Technology Policy* (Cambridge: Cambridge University Press, 2022).

[67] Acclime, "China's Semiconductor Industry: The Path to Self-Sufficiency," *Mondaq* (Hong Kong), August 22, 2024 https://www.mondaq.com/china/technology/1508786/china39s-semiconductor-industry-the-path-to-selfsufficiency

[68] "History & Milestones," *Semiconductor Industry Association*, accessed July 8, 2025, in *About → History* section, Semiconductor Industry Association website. https://www.semiconductors.org/about/history/

robust industrial policies to a focus on cost-cutting, and the resulting impact on national competitiveness. [69] In its early years, the US government played a crucial role in developing a diverse semiconductor ecosystem by combining industrial and science policies. Fiscal spending provided liquidity for the industry, with the Department of Defense (DoD) serving as a key customer. The DoD's purchasing agreements promoted technological advancement and knowledge sharing, enabling small firms to access production for innovative designs while larger firms scaled these designs. This strategy fostered innovation and maintained a competitive landscape.

Over the years, especially since the 1970s, the industrial policy in the US has shifted towards a capital-light "science policy" approach. This change facilitated the emergence of asset-light design firms while contributing to the decline of a strong ecosystem of both small and large production-focused companies. Although this strategy was initially effective, it ultimately resulted in a vulnerable system. The domestic semiconductor industry became limited by supply chains designed for a few firms with significant investment advantages. Asset-light design firms, which lacked manufacturing capabilities, struggled to realize or seize process improvements. As a result, the US lost its dominance in cutting-edge fabrication, especially upon facing stiff competition from companies like TSMC, which rendered its technological and commercial advantages more precarious. The report suggests that the US must revisit and revamp its industrial policies to regain the technological frontier and build a more secure and resilient supply chain. In response to various challenges, the US government passed the CHIPS and Science Act in August 2022. This legislation allocates approximately $280 billion to enhance domestic semiconductor research and manufacturing capabilities. The objective of this act is to reduce dependence on foreign suppliers while increasing national competitiveness.

The US semiconductor strategy, presently, emphasizes supply chain resilience by reducing dependence on Taiwan and China through diversification and partnerships with allies like Japan, South Korea, and India. However, domestic production faces challenges, including significantly higher costs than in Asia, complex regulatory barriers that delay project execution, and continued reliance on overseas suppliers for specific materials and components. The CHIPS and Science Act allocates $52 billion to incentivize domestic semiconductor manufacturing and research. This includes substantial manufacturing subsidies to support fabs and foundries, alongside investments in research for next-generation technologies. [70] Workforce development is another critical component, with initiatives to train engineers and technicians to meet the growing demands of the semiconductor industry.

The CHIPS Act's $52.7 billion investment in domestic semiconductor manufacturing aims to achieve three main goals: 1) reduce the risk of supply shocks, 2) boost US economic competitiveness and job creation, and 3) protect the manufacturing process. However, this paper argues that the Act alone will not fully achieve these objectives and highlights several gaps that require further government action, including:

- Effective allocation of the $39 billion in subsidies between fabrication and assembly, testing, and packaging (ATP).
- Improved collaboration between government and industry to identify supply chain bottlenecks.
- Engagement of scholars by the White House and Commerce Department to develop complementary economic policies for the workforce.
- Funding for R&D that prepares US companies for technological shifts.
- Establishing secure microelectronics criteria to protect against various threats.
- Developing open semiconductor security standards with international stakeholders.

US semiconductor policy needs a solid foundation with precise data and measurable targets for crisis planning. Understanding the global supply chain requires data analysis, and the government should standardize assessments to set benchmarks for crisis planning and target-setting. The CHIPS Act represents a shift in US economic policy and presents

[69] Alex Williams and Hassan Khan, *A Brief History of Semiconductors: How the US Cut Costs and Lost the Leading Edge*, Employ America (research report, March 20, 2021) https://www.employamerica.org/researchreports/a-brief-history-of-semiconductors-how-the-us-cut-costs-and-lost-the-leading-edge/

[70] Alex Williams and Hassan Khan, *A Brief History of Semiconductors: How the US Cut Costs and Lost the Leading Edge*, Employ America (research report, March 20, 2021) https://www.employamerica.org/researchreports/a-brief-history-of-semiconductors-how-the-us-cut-costs-and-lost-the-leading-edge/

an opportunity to reduce risks in the semiconductor supply chain.[71] Current decisions will impact long-term innovation and financial stability. Moreover, addressing challenges will require focused and ongoing efforts. Clear benchmarks for the semiconductor sector are critical: instead of vague goals like "reshoring," the government should set specific targets, such as a percentage of military electronics resilient to supply shocks. These particular targets will help to measure progress and improve crisis planning. Additionally, the US must manage three strategic dilemmas while building effective policy. First, the government should coordinate better with global allies to avoid a subsidy race. Second, while promoting manufacturing jobs, the government should address the challenges posed by automation and the skill demands of semiconductor production. Third, to maintain advanced fabrication capability, Congress will need to secure ongoing political support for further investments.

The CHIPS Act also aims to diversify manufacturing locations to limit disruptions from East Asia. Currently, the US lacks fabrication capacity for advanced logic chips, with a majority of these chips being sourced from Taiwan and South Korea. This dependence faces risks from natural disasters and geopolitical tensions– particularly concerning Taiwan's vulnerability to conflict and disruption– which threaten US access to vital semiconductor technologies. Military reliance on advanced semiconductors illustrates this urgency. Experts recommend stockpiling supplies and aiding allies like Taiwan. The CHIPS investment will enhance US manufacturing and insulate against disruptions. Furthermore, the manufacturing sector heavily relies on second and third-tier suppliers for essential components. Japanese firms dominate semiconductor materials and equipment, making the industry susceptible to supply shocks. The CHIPS strategy addresses these concerns but lacks strong mechanisms to offset potential supply chain issues. Therefore, close collaboration with manufacturers is essential to mitigate risks.

The recent chip shortage during the pandemic highlights how automakers experienced production delays stemming from inadequate planning. While government support can aid recovery from such disruptions, manufacturers must take significant responsibility for managing their inventory. Thus, although the CHIPS Act intends to enhance production, shortages may still arise due to insufficient planning. To bolster resilience, the CHIPS Act encourages purchase commitments to stabilize demand. However, merely calling for these commitments may be insufficient. It would be beneficial for the government or a consortium to conduct regular assessments with stakeholders to identify potential supply chain bottlenecks. Although companies might hesitate to share inventory data, exchanging risk strategies could lead to favorable outcomes. Ultimately, the CHIPS Act [72] aims to strengthen US semiconductor manufacturing by addressing worries about dwindling manufacturing capacities and keeping pace with Chinese advancements.

Increased funding will empower US semiconductor companies like Intel to boost production and encourage innovation, aided by government support. This investment will advance R&D, fostering advancements in AI and wireless technology. As Moore's Law approaches its limits, future chip development requires new technologies beyond the current CMOS process. The decline of the institutions that drove past innovations has created market failures, signaling the need for increased government intervention. Experts emphasize that public investment in R&D is essential to maintain US competitiveness against China.

In chip design, the US represents 30% of semiconductor value-added, while fabrication accounts for only 19%. To strengthen its position, Congress should prioritize chip design and R&D investment. The CHIPS Act seeks to counter China[73] by promoting advanced chips and domestic production, benefiting different populations than those affected by job displacement from globalization. Although they provide some economic benefits, significant investments in automation could lead to

[71] Alex Williams and Hassan Khan, *A Brief History of Semiconductors: How the US Cut Costs and Lost the Leading Edge*, Employ America (research report, March 20, 2021) https://www.employamerica.org/researchreports/a-brief-history-of-semiconductors-how-the-us-cut-costs-and-lost-the-leading-edge/

[72] US Department of Commerce. "Biden-Harris Administration Announces CHIPS Incentives Award with SK hynix to Advance US Technological Leadership and Expand Capacity of Chips Crucial to the AI Supply Chain." Press release, December 19, 2024 https://www.commerce.gov/news/press-releases/2024/12/biden-harris-administration-announces-chips-incentives-award-sk-hynix

[73] ibid

job losses. Leaders must navigate trade-offs and link semiconductor investments with worker initiatives in education and job creation, incorporating expertise from economic scholars for effective policymaking.

The CHIPS Act also enhances semiconductor security against sabotage that could compromise user data, especially from countries like China. Although major manufacturers like Intel and TSMC are less vulnerable due to their internal security measures, lesser-known firms face higher risks. After manufacturing, global transport introduces additional vulnerabilities. Historical vulnerabilities, as indicated by the Spectre and Meltdown incidents, underscore the importance of cybersecurity, particularly against espionage and sensor manipulation. To bolster security, US facilities should prioritize defenses against smaller-scale sabotage. The CHIPS Act's focus on fabrication doesn't address assembly vulnerabilities, where China dominates 38% of global ATP. Collaborative development of semiconductor security standards is necessary to counter supply chain threats while maintaining production in China. The CHIPS Act mandates agencies to define secure microelectronics requirements; this development of adaptable standards will foster trust in US manufacturing. Ultimately, relocating production won't fully mitigate sabotage risks; policymakers must address cross-border threats to truly ensure global trust in US hardware.

The CHIPS Act bans funding recipients from expanding semiconductor manufacturing in China or other countries that pose national security risks for 10 years, necessitating companies to reassess their global strategies. Despite criticisms regarding slow implementation, significant progress was made in late 2023 and 2024. Key announcements include:

- December 2023: $35 million grant to BAE Systems for defense devices.
- January 2024: $162 million to Microchip Technology to triple production capacity.
- November 2023: $3 billion investment planned for advanced packaging and a pilot facility.
- Throughout 2024, major incentives were awarded to companies like GlobalFoundries ($1.5 billion), Intel ($8.5 billion), and Micron Technology ($6.14 billion) for US expansion.
- A May 2024 study predicted a 203% increase in US semiconductor capacity by 2032.

By mid-2024, leading companies significantly expanded their presence in the US, including through a $450 million grant to SK Hynix for a memory production hub at Purdue University. [74] The Commerce Department announced over $30 billion in CHIPS investments across 23 projects in 15 states, including 16 new semiconductor facilities expected to generate over 115,000 jobs. The department plans to distribute all remaining CHIPS funds by the end of 2024. Former Commerce Secretary Gina Raimondo noted, "Thanks to the CHIPS and Science Act, we've made significant progress by attracting private sector interest. Under President Biden and Vice President Harris, we're creating good-paying jobs and revitalizing US semiconductor manufacturing." With these investments, America will house all five of the world's leading-edge logic and DRAM semiconductor manufacturers, while no other economy has more than two. The US is expected to produce nearly 30% of the world's leading-edge chips by 2032, a rise from 0% when Biden and Harris initially took office.

Chips are essential for smartphones, cars, and medical devices, forming the backbone of future technologies like AI and clean energy. The CHIPS Act aims to create jobs, strengthen US supply chains, and boost semiconductor production. In 1990, the US produced 40% of global semiconductors, but this has since declined to 12%, with advanced chips largely made in Taiwan by TSMC. COVID-19 disruptions and geopolitical tensions regarding Taiwan raised national security concerns over US access. The CHIPS Act has significant Republican support, leading to over $32 billion in subsidies and $29 billion in loans, encouraging nearly $400 billion in investments. The act aims to enhance US semiconductor production to around 30% of the global supply by 2032, supported by firms like Intel, Micron, and Samsung.[75] Critics of the CHIPS Act raise concerns about loopholes, inflation, monopolistic practices, and environmental

[74] SK hynix Inc., "SK hynix Announces Semiconductor Advanced Packaging Investment in Purdue Research Park," *Purdue University News* (West Lafayette, Ind.), April 3, 2024. https://www.purdue.edu/newsroom/2024/Q2/sk-hynix-announces-semiconductor-advanced-packaging-investment-in-purdue-research-park/

[75] US Department of Commerce. "Biden-Harris Administration Announces Preliminary Terms with Samsung Electronics to Establish Leading-Edge Semiconductor Ecosystem in Central Texas." Press release, April 15, 2024 https://www.commerce.gov/news/press-releases/2024/04/biden-harris-administration-announces-preliminary-terms-samsung/

effects, although the initiative is set to create high-paying jobs in an industry that has lost many roles recently.

The US is weakening China's industrial capacity by targeting Huawei, which was added to the entity list in May 2020 to restrict US exports. Global businesses must consider geopolitical factors, track trends, and build resilient supply chains that can weather the US-China competition. The Bureau of Industry and Security (BIS) requires prior approval for Huawei-related products using US technology, blocking foreign collaborations. In August 2020, BIS enhanced restrictions on Huawei's access to American technology and semiconductor shipments. US measures also include a loyalty test for allies, with the State Department's Clean Path initiative aiming to protect telecom industries from Chinese influence by mandating that next-gen communications use US diplomatic facilities without Huawei equipment. Furthermore, the US has issued global guidelines to phase out concerning vendors.

Before the formal implementation of the CHIPS Act, companies had already initiated new projects in the US. In October 2022, IBM announced a $20 billion investment in Hudson Valley,[76] New York, over the next decade. Major US companies have also made significant investments– for instance, Intel has announced plans to establish new fabrication plants in Ohio and Arizona. TSMC, which began building a chip factory in Arizona last year, has raised its investment to $40 billion[77] for a facility set to produce three-nanometer semiconductors by 2026. Additionally, Intel has started work on a $20 billion mega-site in Ohio,[78] while Samsung announced a $17 billion plant in Texas.[79] However, Intel faces stiff competition from firms like TSMC and Nvidia, particularly in advanced chip technologies. Despite receiving federal grants, Intel's latest financial reports underscore ongoing issues, including an $800 million loss in Q1 2025[80] and reductions to its workforce. Nvidia and Apple are building AI-centric manufacturing plants in Houston, marking a transition to high-tech production in areas usually associated with other industries.

This shift indicates a broader trend towards reshoring and automation within the US semiconductor industry. The US government is contemplating tariffs on imported semiconductors to encourage local manufacturing.[81] However, analysts warn that such tariffs may raise costs and exacerbate supply chain problems, as many components are still sourced overseas. Moreover, the semiconductor market is experiencing volatility due to these policy shifts and global economic factors. Stock prices of semiconductor firms have faced downward pressure, with experts predicting additional declines if economic conditions worsen. Trade policy is now integral to the US technology strategy as the US boosts its domestic high-tech investments. This shift stems from the complex nature of semiconductor value chains and the need to prevent advanced technology exports to adversaries. Thus, supply chain resilience and export controls are key elements of the US's semiconductor strategy.

India's Semiconductor Policy

The evolution of the Indian semiconductor industry illustrates a complex mixture of initial ambition, lost chances, and recent policy adjustments. Although India has exceptional chip design and embedded software capabilities, its lack of semiconductor fabrication facilities has long posed a strategic weakness. India's serious commitment to the semiconductor sector began with the founding of Semiconductor Complex Limited (SCL) in Mohali in 1984.[82] SCL aimed to establish technological self-sufficiency in microelectronics, primarily for defense and strategic industries. However, a catastrophic fire in 1989 severely damaged the facility, and its recovery was delayed and limited in capability. At

[76] CBS New York Team, "President Biden Announces $20 Billion Initiative to Boost Semiconductor Chip Production in Hudson Valley, IBM Poughkeepsie," *CBS New York*, October 6, 2022 https://www.cbsnews.com/newyork/news/president-biden-announces-20-billion-initiative-to-boost-semiconductor-chip-production-in-hudson-valley-ibm-poughkeepsie/

[77] Taiwan Semiconductor Manufacturing Company. "TSMC Announces Updates for TSMC Arizona." Press release, Phoenix, Arizona, December 6, 2022. https://pr.tsmc.com/english/news/2977

[78] Intel Corporation, "Ohio One Construction Timeline Update," *Intel Newsroom* (New Albany, Ohio), February 28, 2025 https://newsroom.intel.com/corporate/ohio-one-construction-timeline-update

[79] Samsung Electronics Co., Ltd. "Samsung Electronics Announces New Advanced Semiconductor Fab Site in Taylor, Texas." Press release, Seoul, November 24, 2021. https://news.samsung.com/global/samsung-electronics-announces-new-advanced-semiconductor-fab-site-in-taylor-texas

[80] Emmanuel Oyedeji, "Intel's New CEO Faces a Tough Start as Losses Deepen in Q1 2025 and Job Cuts Loom," *Techloy*, published May 8, 2025 https://www.techloy.com/intels-new-ceo-faces-a-tough-start-as-losses-deepen-in-q1-2025-and-job-cuts-loom/

[81] "Trump Orders US Chip Designers to Stop Selling to China," *Financial Times*, May 28, 2025 https://www.ft.com/content/2c0db765-03ac-4820-8a02-806469848bee

[82] Kumar Priyadarshi, "India's Semiconductor Dream: 1984–2006," *Techovedas*, accessed July 8, 2025, https://techovedas.com/indias-semiconductor-dream-1984-2006/.

that time, India's industrial policy prioritized restricting imports over developing globally competitive manufacturing, which impeded the growth of the domestic semiconductor ecosystem.

India comprises 20% of the global semiconductor design workforce and possesses a burgeoning tech sector that supports the development of a self-sustaining ecosystem.[83] Government initiatives, such as the National Electronics Policy and the $10 billion Production-Linked Incentive (PLI) scheme, [84] are enhancing India's ambitions in chipmaking. The 2024 Budget offers increased financial support for semiconductors, alongside a $12 billion R&D fund, positioning India favorably to attract global companies. [85] As US-China decoupling continues, semiconductor firms are reassessing their supply chain strategies. Chandrasekaran, from the US-India CEO Forum, states,[86] "Global supply chains are being redesigned for balance and resilience, shifting focus from just efficiency." India's economic liberalization in 1991 initiated an IT revolution that prioritized software over hardware. Although hardware manufacturing fell behind, multinational semiconductor companies like Texas Instruments,[87] Intel, and STMicroelectronics established design and R&D centers in India, capitalizing on its engineering talent. By the late 1990s, India emerged as a major player in VLSI design, chip verification, and embedded systems, despite its lack of domestic fabrication capabilities.

This dichotomy—world-class design talent coexisting with an underdeveloped manufacturing base—was a defining feature of India's semiconductor narrative. A 2007 policy to create fabs failed due to high capital costs, unreliable infrastructure, and a lack of global partnerships. The 2007 Semiconductor Policy offered capital subsidies to firms proposing fab projects. Although several companies showed interest, including HSMC, Jaypee Associates, and IBM, none of these projects materialized due to bureaucratic delays and the absence of critical ecosystem players, such as raw wafer suppliers and EDA tool vendors.[88] A key issue was India's inclination towards vertically integrated models, adopting a top-down approach that simultaneously developed every layer, from design to fabrication to packaging. This stands in contrast to successful ecosystems like Taiwan's, which evolved gradually by first establishing niche capabilities and global integration before pursuing full-stack operations.[89]

From 1998 to 2020, the global semiconductor market grew almost fourfold, [90] from $125.6 billion to a projected $426 billion. AI semiconductors were expected to grow at a CAGR of 50% from 2019 to 2022,[91] while mobile semiconductors may see 7.49% growth from 2020 to 2025, despite potential pandemic setbacks.[92] Understanding semiconductor manufacturing stages is crucial for evaluating a nation's role in global value chains (GVCs). Quartz and silica sands are vital raw materials; the US leads silica sand exports at 36.1%, followed by Australia at 11.2%. Silica sands are plentiful, but they pose environmental risks and must be refined into silicon dioxide. Major exporters include China (22.8%), Germany (17.4%), and Japan (9%); main importers are the US (8.41%), Germany (7.14%), and China (6.98%).

During the 2010s, the Indian government introduced a series of initiatives to stimulate electronics manufacturing, including the National Electronics Policy (2012) and the "Make in India" campaign

[83] Devdiscourse News Desk, "India's Semiconductor Surge: Challenging China's Dominance," *Devdiscourse* (New Delhi), May 29, 2025 https://www.devdiscourse.com/article/technology/3439687-indias-semiconductor-surge-challenging-chinas-dominance

[84] Anika Chhillar, "Evaluating India's PLI Scheme for Semiconductors," *Observer Research Foundation*, February 23 2025 https://www.orfonline.org/expert-speak/evaluating-india-s-pli-scheme-for-semiconductors

[85] Government of India, *Union Budget 2024–25: Innovation, Research & Development*, Press Information Bureau, July 24, 2024 (pdf) https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/jul/doc2024726354301.pdf

[86] N. Chandrasekaran, "Global manufacturing to shift in India's favour," *Times of India*, December 27, 2024 https://timesofindia.indiatimes.com/business/india-business/global-manufacturing-to-shift-in-indias-favour-n-chandrasekaran/articleshow/116692881.cms

[87] Texas Instruments. *TI India Fact Sheet*. Bangalore: Texas Instruments, February 27, 2015. https://www.ti.com/lit/ml/szza071/szza071.pdf

[88] *India Snoozed, Lost Intel Chip Plant*, by *Forbes*, September 6, 2007, reporting that "[Intel] lost out on a multibillion-dollar chip plant" in India due to slow semiconductor policy rollout, with production instead going to China and Vietnam https://www.forbes.com/2007/09/06/intel-india-china-markets-equity-cx_rd_0906markets1.html

[89] Trisha Ray, "Lessons from India's Past for Its Semiconductor Future," *Expert Speak: Digital Frontiers*, Observer Research Foundation, June 22, 2023. https://www.orfonline.org/expert-speak/lessons-from-indias-past-for-its-semiconductor-future

[90] PwC. *Opportunities for the Global Semiconductor Market: The Global TMT Semiconductor Report 2019*. Technology, Media & Telecommunications series, PwC, 2019. https://www.pwc.com/gx/en/industries/tmt/publications/global-tmt-semiconductor-report-2019.html

[91] Ibid.

[92] Mordor Intelligence, *Mobile Phone Semiconductor Market Growth: Industry Report, 2025–2030*, published January 5, 2025 https://www.mordorintelligence.com/industry-reports/mobile-phone-semiconductor-market-growth

(2014). Despite these efforts, establishing a commercial-scale semiconductor fabrication facility remained elusive. Multiple memoranda of understanding (MoUs) were signed with potential investors, but none materialized due to infrastructural, regulatory, and economic constraints. At the same time, India's dependence on semiconductor imports, particularly from East Asian economies, continued to grow, and domestic efforts remained largely focused on electronics assembly rather than semiconductor production. The COVID-19 pandemic and subsequent global semiconductor shortages brought renewed attention to India's vulnerability in this sector. Simultaneously, the growing strategic competition between the United States and China prompted global realignments in semiconductor supply chains, creating opportunities for India to emerge as an alternative manufacturing base.

Top foundries in Taiwan and China include TSMC, UMC, GlobalFoundries, and SMIC. [93] Intel and Samsung lead the US semiconductor market, accounting for half of global revenue. Specialization risks disrupting supply chains. Key players in the industry are the US, South Korea, Japan, Taiwan, and China. The US-China trade war and COVID-19 have revealed vulnerabilities, allowing Indo-Pacific countries to attract semiconductor foundries. India is a major electronics consumer, with imports hitting $ 96.5 billion in 2018,[94] representing 19.6% of total imports. By 2025, the semiconductor market is expected to reach $32.35 billion. Notable firms include SmartPlay Technologies [95] for design and Invecas for assembly/testing with TSMC and Globalfoundries. In India, the Defence Research and Development Organisation created the Society for Integrated Circuit Technology for strategic design.[96] The Indian government recognized the need for a domestic fab facility, and in 2011, it invited EOIs, leading to the Hindustan Semiconductor Manufacturing Corporation (HSMC) in Gujarat, though this has faced delays. The government's 2020 budget also aimed to enhance electronic manufacturing.[97]

Under Prime Minister Narendra Modi's leadership, national initiatives like "Make in India" (2014) and "Digital India" have catalyzed the electronics assembly ecosystem.[98] Companies such as Foxconn, Samsung, and Xiaomi established smartphone manufacturing units in India. However, semiconductor fabrication has been notably absent due to a lack of substantial capital investment, advanced technological expertise, and robust supply chain infrastructure. Nevertheless, there is currently a growing recognition of semiconductors as a strategic sector that is critical to economic growth and national security, especially as global trade tensions and the US-China tech war deepen. The COVID-19 pandemic and subsequent global chip shortages also highlighted the vulnerabilities of concentrated manufacturing hubs, pushing India to reposition itself. In 2021, the Indian government launched the India Semiconductor Mission (ISM) with a corpus of ₹76,000 crore (~$10 billion) tocatalyze chip manufacturing, display fabs, and design infrastructure investments.[99]

Following the Galwan Valley incident in May 2020, India took significant steps against Chinese manufacturers, reducing China's role in electronics. Border disputes now affect broader relations. In April 2020, India blocked opportunistic acquisitions by Chinese firms, and in June, it banned several Chinese apps. By May 2021, the government allowed mobile carriers to start 5G trials with non-Chinese equipment, specifically excluding Huawei due to security issues, which clarified the government's stance on Chinese technology. Currently, India is adopting a cautious strategy with diverse partnerships. India's External Affairs Minister, S

[93] Charlotte Lee, "Taiwan Chipmaker UMC and GlobalFoundries Explore Potential Merger," *Taiwan News* (Taipei), April 1, 2025 https://www.taiwannews.com.tw/news/6073864

[94] World Bank. *India Trade Summary 2018*. WITS (World Integrated Trade Solution). Data retrieved June 22, 2025 https://wits.worldbank.org/CountryProfile/en/Country/IND/Year/2018/Summary

[95] Peter Brown, "Globalfoundries Gains Chip Design IP Support Service," *Electronics360*, published December 16, 2014 https://electronics360.globalspec.com/article/4712/globalfoundries-gains-chip-design-ip-support-service

[96] Society for Integrated Circuit Technology and Applied Research (SITAR), *About Us*, Defence Research and Development Organisation (DRDO), https://www.drdo.gov.in/drdo/labs-and-establishments/society-integrated-circuit-technology-and-applied-research-sitar

[97] Surabhi Agarwal, "Budget 2020: Finance Minister Announces New Electronics Manufacturing Scheme," *Economic Times* (New Delhi), February 1, 2020 https://economictimes.indiatimes.com/tech/hardware/budget-2020-finance-minister-announces-new-electronics-manufacturing-scheme/articleshow/73833592.cms

[98] Santosh Das, "Electronics Manufacturing in India: Government Policies & Incentives," *Electronics & You*, last updated August 14, 2024, https://www.electronicsandyou.com/electronics-manufacturing-in-india-government-policies-incentives.html

[99] Press Information Bureau, "Cabinet Approves Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India," *PM India* (New Delhi), December 15, 2021, https://www.pmindia.gov.in/en/news_updates/cabinet-approves-programme-for-development-of-semiconductors-and-display-manufacturing-ecosystem-in-india/.

Jaishankar, stated that the shifting US-China dynamic presents opportunities for India. India aims to "grow with others, not in isolation," stressing the need for partnerships with like-minded countries, especially in technology. Given these actions against Chinese firms, India increasingly leans towards a US-centered coalition, impacting its role in the global semiconductor supply chain. The government has committed resources to develop its semiconductor ecosystem. Launched in 2021, the India Semiconductor Mission (ISM)[100] seeks to establish India as a semiconductor manufacturing hub, featuring a $10 billion incentive plan to attract foreign investment and enhance local production capabilities. Key components include:

- Production Linked Incentive (PLI) Scheme: Offers 4-6% incentives on incremental sales of domestically manufactured products.
- Design-Linked Incentive Scheme: Provides financial support for developing electronic design components over five years.
- Chips to Startup Program: Aims to train over 85,000 professionals in semiconductor-related fields.

Despite encouraging developments, critical gaps remain in India's semiconductor landscape. Key among these is the lack of a commercial-scale semiconductor fab, which requires over $5 billion in investment and takes 5 to 7 years to establish. India has not yet successfully executed such a facility despite multiple announcements. Moreover, the upstream supply chain, which includes silicon wafers, specialty gases, photomasks, and equipment, is underdeveloped. The scarcity of local suppliers raises costs and reliance on foreign partners. Another major issue is human capital. While India has many skilled chip designers and software engineers, it lacks adequately trained personnel in semiconductor process technology and fab operations. The education system has historically favored software engineering, neglecting semiconductor physics, materials science, and cleanroom practices. Furthermore, despite housing design centers for multinational corporations, domestic ownership of semiconductor intellectual property (IP) remains limited, and there are few successful fabless semiconductor startups.

Policy inconsistency and slow implementation hinder progress. Previous initiatives were characterized by approval delays and a lack of follow-through, which undermined investor confidence. India's infrastructure—encompassing power reliability, water availability, and logistics—remains a significant challenge for high-precision semiconductor manufacturing. The research and development ecosystem is underdeveloped, with limited investment in core areas like materials science, chip architecture, and EDA tools. Indian conglomerates' role has been minimal, though companies like Tata[101] and Vedanta show growing interest. To remain competitive, India must integrate[102] with global semiconductor supply chains and pursue partnerships with countries that lead various parts of the value chain, such as Taiwan (foundries), Japan (equipment and materials), and the United States (design and EDA software). The media views India's semiconductor policy as a bold initiative to engage in the global value chain across various supply chain levels, including manufacturing, chip design, and assembly and packaging. The government's amendment of its semiconductor policy in October 2022, which streamlined subsidies for manufacturing mature nodes and aligned them with those for more advanced nodes, demonstrates a quick response and a willingness to engage with stakeholders in the ecosystem. India can take several immediate steps to strengthen its semiconductor policies:

- Financing: Currently, the Indian Semiconductor Mission (ISM) solely distributes its committed funds based on its approval terms in the semiconductor sector. However, no loan guarantees are in place, which are typically beneficial for enabling debtors to secure additional funding. Introducing these guarantees would be advantageous.
- Reimbursement basis financing: Under the Design-Linked Incentive (DLI) scheme,[103] companies only receive funding through

[100] Press Information Bureau, "Government Spurs Chip Manufacturing with Fiscal Support, Global MoUs and Talent Development Initiatives," *Press Release*, Ministry of Electronics & Information Technology, April 2, 2025 https://www.pib.gov.in/PressReleasePage.aspx?PRID=1799621

[101] Tata Group. "Tata Group to Build the Nation's First Fab in Dholera." Press release, Mumbai, February 29, 2024. https://www.tata.com/newsroom/business/first-indian-fab-semiconductor-dholera

[102] Sanjeev Kumar, *India's Semiconductor Revolution: Seizing a Trillion-Dollar Opportunity by 2030*, *Inc42* Resources, November 2, 2024 https://inc42.com/resources/indias-semiconductor-revolution-seizing-a-trillion-dollar-opportunity-by-2030/

[103] Ajay Sawhney, Aniket Singhania, and Shashwat Shah, "Semiconductor Revolution: Setting Up Semiconductor Fabs in India," *India Corporate Law* (Cyril Amarchand Mangaldas blog), March 27, 2025,

reimbursement after meeting specific milestones, with no upfront capital provided for startups. Moreover, there is no claw-back provision in this scheme.

- Spin-offs not included in any scheme: To enhance the DLI scheme's financing self-sufficiency, the Center for Development of Advanced Computing (its overseeing agency) should have provisions to acquire equity in beneficiary companies. The Industrial Technology Research Institute in Taiwan successfully employed this approach during its support of TSMC and other semiconductor firms.
- Venture capitalists need assurance that the technology is ready for commercialization. It's uncertain if they will invest once government funding ceases, particularly since advanced chip designs can exceed $100 million in development costs for cutting-edge chips.
- ISM expertise: The ISM lacks involvement in interagency collaboration. Positioned within the Ministry of Electronics and Information Technology, it does not have the same connections with various ministries as the United States CHIPS Program Office, which collaborates with departments such as the departments of Defense, State, and Homeland Security.

India's "Semicon India Programme" [104] seeks to establish a robust semiconductor and display manufacturing ecosystem with a $10 billion incentive. The program supports fabs and packaging units, along with semiconductor research and training for skill enhancement. India aims to collaborate with global players like the US, Taiwan, and Japan to leverage their expertise. However, it faces challenges including a lack of existing fabs, weak supply chains, and limited manufacturing skills.[105] Geopolitical risks, particularly dependence on Taiwan, further threaten progress.

India aspires to be a key player in the global tech landscape, recognizing the need to build a strong domestic foundation before pursuing international leadership.[106] Establishing a technological framework offers benefits such as cost efficiency, trust, and development goals. An example is the push for a local ecosystem for 5G network equipment,[107] with the Telecom Regulatory Authority recommending domestic telecom production in August 2018 by encouraging firms like Reliance to develop a local 5G management system. While India has excelled in global tech solutions, especially in digital payments, it remains a net importer of hardware technology due to the long development cycles required in semiconductors. India's viable short-term strategy is "friend-shoring," [108] or fostering cooperation with countries sharing similar values in the semiconductor supply chain, although concerns about potential trade protectionism exist.

In recent years, India has witnessed a series of high-profile investments that signal cautious yet tangible progress in its quest to establish a semiconductor ecosystem. One of the most significant announcements came from Micron Technology, which declared a $2.75 billion investment to set up an Assembly, Testing, Marking, and Packaging (ATMP) facility in Gujarat.[109] This project is being supported by both the central and state governments and represents a substantial step toward localizing the back-end stages of the semiconductor supply chain. The facility is expected to generate employment, enhance technical capabilities, and strengthen India's appeal to global semiconductor firms. Another landmark initiative has been launched by the Tata Group, in collaboration with Powerchip Semiconductor Manufacturing Corp (Taiwan). The two companies are jointly investing over $11 billion to establish India's first mature-node semiconductor

https://corporate.cyrilamarchandblogs.com/2025/03/semiconductor-revolution-setting-up-semiconductor-fabs-in-india/

[104] Policy Circle, "India's Electronics Manufacturing Push Needs Policy Stability," *Policy Circle*, published March 2025 https://www.policycircle.org/policy/indias-electronics-manufacturing-push/

[105] "Semicon Jobs Dip, Niche Skills in High Demand," *Times of India* (Bengaluru), May 26, 2025 https://timesofindia.indiatimes.com/city/bengaluru/semicon-jobs-dip-niche-skills-in-high-demand/articleshow/121416577.cms

[106] Niladry Sarkar, "Will India's Ambitious Plan to Build a Semiconductor Ecosystem Succeed?," *The Week*, April 27, 2025 https://www.theweek.in/theweek/cover/2025/04/19/indias-mission-to-develop-a-semiconductor-ecosystem.html

[107] Telecommunications Standards Development Society India (TSDSI), "TSDSI's 5G Radio Interface Technology '5Gi' Approved by SG5 of ITU-R as Part of Upcoming ITU-R Recommendation M.[IMT-2020.SPECS]," *TSDSI News*, December 2, 2020. https://tsdsi.in/tsdsis-5g-radio-interface-technology-5gi-approved-by-sg5-of-itu-r-as-part-of-upcoming-itu-r-recommendation-m-imt-2020-specs/

[108] Maureen F. Larson and Astrid C. Rude, "Promoting Semiconductor 'Friend-Shoring': The Role of the Indo-Pacific," *Asia Program* (former program), Center for Strategic and International Studies (CSIS), September 21, 2023, https://www.csis.org/programs/former-programs/asia-program/promoting-semiconductor-friend-shoring-role-indo-pacific.

[109] "Chipmaker NXP Semiconductors to Invest More Than $1 Billion in India as It Boosts R&D Efforts," *Reuters*, September 11, 2024 https://www.reuters.com/technology/nxp-semiconductors-invest-more-than-1-bln-india-it-boosts-rd-efforts-2024-09-11/

fabrication plant. This fab will focus on 28nm and higher nodes, which are widely used in automotive, industrial, and consumer electronics sectors. If successfully executed, this venture would place India on the global semiconductor manufacturing map and reduce its dependence on foreign fabs, particularly from East Asia.[110]

Simultaneously, Indian tech firms are entering the semiconductor arena with bold ambitions. Zoho Corporation, traditionally known for its enterprise software suite, has pledged $700 million to develop compound semiconductor technology and packaging capabilities. This diversification illustrates the increasing recognition within India's private sector of semiconductors' strategic and economic potential.[111] In parallel, NXP Semiconductors, a global leader in automotive and secure connectivity chips, has committed more than $1 billion to expanding its R&D presence in India.[112] NXP's continued investment reaffirms the country's established reputation as a global center for chip design and embedded systems engineering. These developments collectively underscore the growing momentum in India's semiconductor ecosystem, especially in the back-end manufacturing and design services segments. Nevertheless, India must not repeat past mistakes rooted in overly centralized and vertically integrated strategies. Instead, it should focus on modular growth, nurture global partnerships, and prioritize the development of a skilled workforce in materials science, photolithography, and fabrication technologies. Such a bottom-up approach may yield more sustainable long-term outcomes, as demonstrated in countries like Taiwan and South Korea. Drawing lessons from past policy shortcomings, India would benefit from embracing incremental, ecosystem-driven growth and niche specialization rather than attempting to replicate vertically integrated models of mature semiconductor nations. In doing so, India can build a resilient and globally competitive semiconductor industry that meets domestic and global demands.

India's semiconductor industry stands at a crucial juncture- the country has successfully developed design capabilities and attracted R&D investments, but has fallen short on building manufacturing infrastructure. The government must swiftly implement fab proposals and enhance the ecosystem, including ATMP, design, and supply chains. Strategic policy coherence, public-private collaboration, and major investments in infrastructure and skills are crucial. Creating semiconductor clusters like the Dholera Special Investment Region in Gujarat [113] and fostering international collaborations can establish a robust and competitive semiconductor industry in India. In the long term, India aims for a more substantial role in the semiconductor supply chain, as evidenced by its efforts in 5G technology, including the proposal of a local standard, 5Gi, recognized by the ITU in November 2020. [114] Disagreements among stakeholders have delayed its rollout, and the Indian Lok Sabha has raised concerns about pursuing independent standards. Despite 5 Gi's technical soundness, its lack of international acceptance may hinder its adoption. India must develop a strategic approach to advocate for its standards internationally. India's design role in the semiconductor value chain is notable but lacks influence in global standard-setting. The perception of Indian technology as "clean" could help to promote it abroad. The US could lead an alliance for AI standards, echoing the US-India Strategic Tech Alliance.

The tech competition between China and the US influences global standard-setting, with both countries seeking to advance their own standards. India strategically aligns to form partnerships across the supply chain while enhancing its semiconductor ecosystem capabilities. Given the geopolitical context of the US-China competition to control vital chokepoints in the semiconductor supply chain, companies in this sector will aim to navigate these differing scenarios to avoid substantial recalibrations of their supply chains. Additionally, semiconductor

[110] Megha Mandavia, "How China Could Swamp India's Chip Ambitions," *Wall Street Journal*, March 16, 2024. https://www.wsj.com/tech/how-china-could-swamp-indias-chip-ambitions-b01c4fcc

[111] Chipmaker NXP Semiconductors to Invest More Than $1 Billion in India as It Boosts R&D Efforts," *Reuters*, September 11, 2024 https://www.reuters.com/technology/nxp-semiconductors-invest-more-than-1-bln-india-it-boosts-rd-efforts-2024-09-11/

[112] Charlotte Trueman, "NXP Semiconductors to Invest More Than $1 Billion to Boost Its R&D in India," *Data Center Dynamics*, September 12, 2024. moneycontrol.com+11dhttps://www.datacenterdynamics.com/en/news/nxp-semiconductors-to-invest-more-than-1-billion-to-boost-its-rd-in-india/

[113] "A Partnership Surge: Global Investors and NRIs Show Interest in Gujarat's Semiconductor Hub, Dholera SIR," *Economic Times* (New Delhi), March 9, 2025 https://economictimes.indiatimes.com/nri/latest-updates/global-investors-nris-show-interest-in-gujarats-semiconductor-hub-dholera-sir/articleshow/118817447.cms

[114] Telecommunications Standards Development Society India (TSDSI), "TSDSI's 5G Radio Interface Technology '5Gi' Approved by SG5 of ITU-R as Part of Upcoming ITU-R Recommendation M.[IMT-2020.SPECS]," *TSDSI News*, December 2, 2020, https://tsdsi.in/tsdsis-5g-radio-interface-technology-5gi-approved-by-sg5-of-itu-r-as-part-of-upcoming-itu-r-recommendation-m-imt-2020-specs/.

companies will assess potential alliances with like-minded nations to maintain a seamless supply chain. It will be intriguing to observe how India's involvement in the Quad's Semiconductor Supply Chain Initiative develops, especially since its current engagement lacks specific details. In the long run, India is expected to implement policies that attract semiconductor manufacturing and design capabilities to its territory, especially if the decline of China's semiconductor industrial sector persists. While US export-control measures have severely impacted China's semiconductor industry, they have also accelerated Beijing's push to cultivate its indigenous technology infrastructure. The evolution of these semiconductor supply chains will emerge as a defining trend of the twenty-first century.

Creating a Collaborative/Collective Supply Chain Framework: The Role of High-Tech Partnerships

In response to vulnerabilities in globally interconnected supply chains– and especially semiconductor supply chains– nations have increasingly pursued bilateral, minilateral, and multilateral technology partnerships. The Quad—comprising the US, Japan, India, and Australia—is a key example of a partnership that aims to counterbalance China's influence while enhancing regional cooperation in technology and supply chain resilience. While domestic efforts are important, countries understand that collective international action is essential to ensure long-term security and efficiency in critical sectors like the semiconductor industry. The US dominates semiconductor design, licensing, and automation with leading firms like Intel, Synopsys, and Nvidia. Although no longer dominant in design, Japan remains a leader in manufacturing materials and tools. Recent initiatives like Japan's Rapidus project and its collaboration with the US on next-gen semiconductors reflect its renewed push in this sector. Meanwhile, Australia, though lacking advanced semiconductor firms, plays a vital role in supplying raw materials essential for chip production, such as lithium, gallium, and neodymium.

Japan has positioned semiconductor innovation and production as pivotal to its "Digital Transformation" strategy. This approach encompasses substantial investments in research and development through partnerships with leading companies, most notably TSMC.[115] Moreover, Japan aims to enhance its role as a provider of advanced materials while collaborating with the US and EU to strengthen supply chain security. Although Australia[116] does not possess its own semiconductor manufacturing capabilities, it plays a crucial role in the global semiconductor landscape by being a primary source of rare-earth minerals essential for chip production. Australia's policies align with its Quad partners' policies to ensure regional security. The initiatives between Quad nations focus on technological cooperation, diversifying supply chains, and fostering economic integration to reduce dependency on China and bolster trade and investment among member countries.

India contributes significantly to semiconductor design and testing through its labor force and its growing electronics manufacturing base. Major firms like Foxconn and Samsung have invested heavily in India, helping to expand its role in the global supply chain. However, the country struggles with limited risk capital and a weak intellectual property ecosystem, which hinders the development of indigenous semiconductor products and fabs. Despite government incentives, India still imports all its semiconductor demand, which is projected to rise sharply. The Quad nations, each with their comparative advantages, can benefit from deeper semiconductor collaboration. [117] Challenges to cooperation include national self-sufficiency goals, the need for broader inclusion of countries like Taiwan and South Korea, and divergent views on broader tech policy. Beyond the Quad, initiatives like the US-EU Trade and Technology Council, the Indo-Pacific Economic Framework (IPEF), and the Chip 4 alliance (US, Japan, Taiwan, South Korea) aim to build resilient supply chains and counter China's dominance, especially in rare earths and chip manufacturing.[118]

[115] Taiwan Semiconductor Manufacturing Company and Sony Semiconductor Solutions Corporation, "TSMC to Build Specialty Technology Fab in Japan with Sony Semiconductor Solutions as Minority Shareholder," *Sony Semiconductor Solutions News Releases* (Tokyo), November 9, 2021 https://www.sony-semicon.com/en/news/2021/2021110901.html

[116] Craig Singleton, "Australia Has a Key Role to Play in Reducing China's Rare-Earths Dominance," *The Strategist*, Australian Strategic Policy Institute, June 2, 2025, https://www.aspistrategist.org.au/australia-has-a-key-role-to-play-in-reducing-chinas-rare-earths-dominance/

[117] Lisa Curtis, "The Quad's Role in Shifting to Resilient Technology Supply Chains and Energy Security," *National Security College, Australian National University*, June 2024, https://nsc.anu.edu.au/sites/default/files/2024-06/Curtis%20-%20Energy_FINAL_PDF.pdf

[118] Jim Pollard and Reuters, "Quad Nations to Cooperate on Rare Earths, Chips and Tech Supply Chains," *Asia Financial*, September 26, 2021,

Despite trade tensions and differing political stances, India and the US have continued to deepen their technology ties, launching initiatives like iCET (now renamed as TRUST initiative[119] in 2025 with the Indo-US Joint Statement) to strengthen cooperation in critical tech areas. Regional alliances, supply chain initiatives in the Americas, and support from the CHIPS Act and the ITSI fund aim to localize and diversify chip production. The evolving geopolitical and economic landscape underscores the importance of aligning regional strengths, investing in R&D, and reforming digital governance to build secure, diversified, and collaborative semiconductor ecosystems.

Limitations and Recommendations

The current Trump administration has signified a major shift in US industrial policy by focusing on protectionism, deregulation, and bilateralism. This marks a departure from multilateral frameworks and subsidy-driven models. Instead, the administration promotes domestic manufacturing through high tariffs and bilateral deals.[120] A prominent example is the proposed repeal of the CHIPS and Science Act, a $52.7 billion initiative supporting semiconductor manufacturing. US President Trump has criticized the Act as a "wasteful corporate handout," instead advocating tariffs to force companies to reshore production.

Tariffs ranging from 10% to over 100% have been imposed on imports, including semiconductors, to bolster domestic production. Yet, exemptions for certain chips aim to prevent disruptions in critical supply chains. The present administration has also rescinded [121] the Biden-era AI Diffusion Rule and facilitated major deals like Nvidia's sales of AI chips to the UAE and Saudi Arabia. While prioritizing economic nationalism and reshoring, Trump 2.0 must reconsider its stance on the CHIPS Act and other collaborative frameworks to ensure semiconductor supply chain resilience. The CHIPS Implementation Steering Council and the Department of Commerce should provide a balanced allocation of subsidies—not just to fabrication, but also to assembly, testing, and packaging (ATP), which remain concentrated in East Asia. A policy shift is essential to reduce geopolitical vulnerabilities.

Currently, overemphasis on fabrication has left the US reliant on foreign ATP capabilities. Without sufficient domestic ATP investment, even advanced fabs will be incomplete during crises. Moreover, supply chain transparency remains a concern due to opaque sourcing and limited government oversight. The CHIPS Act funds global data gathering through the International Technology Security and Innovation (ITSI) Fund, but a lack of centralized analytics weakens strategic investment decisions. Without international coordination, a subsidy race could lead to duplicative facilities and wasted resources. Companies may misuse national security arguments to demand excessive subsidies, potentially undermining taxpayer confidence, especially amid strong fiscal conservatism.

Strategic crisis planning should be central to semiconductor policy. "Island mode" operations, where fabs function independently during emergencies, can serve to prioritize national defense needs. This requires legal frameworks, institutional coordination, and a dedicated Critical Technology Analytics Program to monitor vulnerabilities. Partnerships with entities like the World Semiconductor Trade Statistics program can provide interim insights until a robust public-private monitoring infrastructure is built. Global coordination through forums like the US-EU Trade and Technology Council, the Chips 4 Alliance, and the Global Semiconductor Alliance is vital. These platforms can align subsidies, avoid redundant investments, and set shared standards, thereby countering China's growing influence. Integration with labor policy is also necessary. As automation reduces traditional roles, semiconductor strategies should ensure that industrial policy creates high-quality jobs that benefit American workers.

Structural gaps in crisis readiness persist. Even domestic fabs won't guarantee supply continuity if ATP services remain offshore. Ensuring priority

https://www.asiafinancial.com/Quad-nations-to-cooperate-on-rare-earths-chips-and-key-tech-supply-chains.

[119] Konark Bhandari, "The India-U.S. TRUST Initiative: Advancing Semiconductor Supply Chain Cooperation," *Carnegie Endowment for International Peace*, April 24, 2025, https://carnegieendowment.org/posts/2025/04/the-india-us-trust-initiative-advancing-semiconductor-supply-chain-cooperation?lang=en

[120] Clemens Chay, "Trump Left the Middle East with Plenty of Deals, Except the One He Wants Most," *Channel News Asia*, May 26, 2025, https://www.channelnewsasia.com/commentary/trump-middle-east-deals-peace-saudi-ai-chips-5150251.

[121] Kevin J. Wolf et al., "BIS Rescinds Its AI Diffusion Rule and Issues Compliance Guidance Regarding Advanced Computing Items," *Akin Gump Strauss Hauer & Feld LLP*, May 21, 2025, https://www.akingump.com/en/insights/alerts/bis-rescinds-its-ai-diffusion-rule-and-issues-compliance-guidance-regarding-advanced-computing-items.

access to US-fabricated chips requires international agreements and legal mechanisms. Additionally, the sustainability of CHIPS Act subsidies is politically uncertain. With next-generation technologies like TSMC's N2 process on the horizon, demands for continued funding may face resistance, particularly if perceived benefits to American workers are limited or unequally distributed. Performance metrics for the CHIPS Act remain vague. Without defined targets—fabrication volume, ATP capacity, job creation—the Act risks inefficiencies that could undermine public trust. The Trump administration can address these gaps through clearer goals and more transparent assessments.

As a Quad member and emerging semiconductor power, India has opportunities and challenges in this evolving US policy landscape. Bilateralism and relaxed export controls may attract investment and technology transfer, but protectionism and diminished multilateralism could strain Quad-led initiatives. India must balance strategic engagement with the US and bolster regional partnerships to advance its industry.

Beyond innovation, states must consider technology diffusion—how well innovations spread across systems. As Jeffrey Ding argues,[122] diffusion capacity predicts long-term growth better than innovation alone. High-income nations often rely on foreign knowledge for productivity gains. For instance, the Soviet Union's innovation was overestimated due to weak diffusion. Similarly, China's innovation indicators are strong, but its diffusion lags, especially in digital tech adoption. India must recognize this distinction while developing its semiconductor sector.

India's strengths lie in its domestic market and government support, but its semiconductor industry remains nascent. In contrast, the US has technological leadership but struggles with production costs. Harmonized regulations across Quad members, integrated supply chains, and shared rare-earth strategies are essential for consistent progress. Expanding R&D, workforce training, and investment in rare-earth alternatives can also strengthen global supply chains.

To improve security and resilience, the US must:

- Distribute CHIPS Act subsidies across all stages of production;
- Enhance visibility into supply chain risks;
- Support labor policies that deliver broad economic benefits;
- Align R&D with future technology shifts;
- Develop international microelectronics security standards.

Even with increased domestic capacity, meeting national demand will be difficult. "Island mode" operations, similar to Boston's MATEP system, could allow fabs to prioritize defense orders during crises. Crisis planning must include chip category prioritization, legal authority for production shifts, and a coordinating agency for rapid response.

Global semiconductor dynamics have changed post-pandemic. TSMC's expansion in the US and other countries shows how strategic considerations drive location decisions. However, excessive subsidies risk inefficiency. Forums like the US-EU Trade Council and Chips 4 Alliance can mitigate this through aligned goals and shared investment strategies. Maintaining balance in domestic and foreign policy is essential. Over-prioritizing domestic supply could alienate allies during crises. Open international dialogue and research can prevent such outcomes and foster distributed supply chain development.

Workforce development remains vital. The US must explore how to create "good jobs" amid automation. Aligning semiconductor policy with labor market research ensures voter support. Meanwhile, future funding may need Congressional approval amid industry cycles and political resistance to subsidizing profitable firms. The CHIPS Act remains central to US industrial policy. For it to succeed, the CHIPS Implementation Steering Council must improve data analysis, set clear investment goals, and simulate crisis scenarios. The inclusion of India in the Global Semiconductor Alliance reflects the US's efforts to diversify its supply chain amid China's rise.

India's $9 billion Semiconductor Mission, supported by US investment through the ITSI Fund, has gained momentum. The OECD will review investments in workforce development. In order to achieve its goal of being a top-five global hub by 2030, India must strengthen its talent pipeline. Its current education

[122] Jeffrey Ding, "China's Challenges and Capabilities in Human Capital for General-Purpose Technologies," testimony before the US-China Economic and Security Review Commission, Hearing on China's Challenges and Capabilities in Educating and Training the Next Generation Workforce, February 24, 2023, https://www.uscc.gov/sites/default/files/2023-02/Jeffrey_Ding_Testimony.pdf.

rankings reveal room for growth: India ranks 139th globally, behind countries like the US, Japan, and South Korea. Accelerating niche skills through educational reforms, infrastructure upgrades, and industry-academia collaboration is critical.

The 2021 Quad summit introduced cooperation on critical and emerging technologies (C&ET), including semiconductors. However, more precise definitions and priorities are needed. Semiconductors should be the focus, offering a foundation for broader technology collaboration. While India and Japan have made efforts to boost semiconductor self-sufficiency, challenges remain. High costs and rapid obsolescence make it difficult to stay ahead. A thriving ecosystem requires not just fabs but also skilled labor, OEMs, and packaging/testing capacity. The globalized nature of semiconductor manufacturing, illustrated by Intel's reliance on 450 suppliers, underscores the difficulty of achieving true self-sufficiency.

The Trump administration's industrial policy must evolve to enhance semiconductor supply chain resilience without isolating key allies. India, aiming for greater semiconductor autonomy, must accelerate implementation and invest in workforce development. Coordinated multilateral efforts, transparent policies, and shared standards remain essential for a secure, competitive global semiconductor ecosystem. Complete national self-sufficiency in the semiconductor supply chain is unrealistic. Instead, experts like Pranay Kothasthaṇe argue for states to build redundancy into the global system, ensuring that no single country dominates critical segments. [123] Nations should cultivate expertise across all supply chain stages to remain technologically competitive. Crucially, neither resilience nor strategic advantage requires full indigenization. Rather, these goals can be achieved through multilateral cooperation that leverages comparative advantages, shares costs, and accelerates innovation.

Within this framework, the Quad's semiconductor strategy should prioritize establishing a resilient, diversified supply chain that reduces dependency on China. A secondary objective should be enhancing technical capabilities to surpass China in semiconductor innovation. Forming a Quad Semiconductor Consortium and investing in collaborative infrastructure can diversify manufacturing and improve cost efficiency.[124] While the US continues to attract investment in leading-edge fabrication (5nm and below), older nodes (28nm and above) remain vital for applications like 5G and electric vehicles. Coordinated resource pooling among Quad members can grant fabless firms preferential access to regional facilities, strengthening the ecosystem.

Furthermore, cooperation on emerging standards such as RISC-V and GaN manufacturing is critical. Although RISC-V shows strong potential, it requires sustained investment for global adoption. Quad Centers of Excellence can support standard development alongside collaboration on security protocols and advanced materials, fostering trust and interoperability. [125] Nitin Pai has emphasized the importance of building "bubbles of trust" — bilateral frameworks that can later scale into broader multilateral initiatives. The Quad's engagement strategy should include Taiwan, South Korea, Vietnam, Israel, Singapore, and the EU to expand these trusted networks without forming an exclusionary bloc. Taiwan and South Korea are especially vital for manufacturing partnerships, while the EU offers strengths in design and R&D.[126]

A significant obstacle to seamless Quad collaboration lies in governmental restrictions. [127] Semiconductor firms, driven by efficiency and market logic, thrive on comparative advantages and global trade. However, growing state intervention — through subsidies and export controls — risks fragmenting innovation. Governments should instead enable:

1. Strategic R&D cooperation: Remove bureaucratic hurdles, such as visa delays for semiconductor talent, to encourage technology exchanges, joint development, and licensing agreements.

[123] Pranay Kotasthane, *Siliconpolitik: The Case for a Quad Semiconductor Partnership* (Singapore: Institute of South Asian Studies, National University of Singapore, April 26, 2021), https://www.isas.nus.edu.sg/papers/siliconpolitik-the-case-for-a-quad-semiconductor-partnership/.

[124] Ibid.

[125] Pranay Kotasthane and Abhiram Manchi, *When the Chips Are Down: A Deep Dive into a Global Crisis* (New Delhi: Bloomsbury India, 2023), ISBN 978-93-56402-46-1

[126] Pranay Kotasthane and Arjun Gargeyas, *Harnessing Trade Policy to Build India's Semiconductor Industry* (Singapore: Hinrich Foundation, May 24, 2022), https://www.hinrichfoundation.com/research/wp/tech/trade-policy-build-india-semiconductor-industry.

[127] Pranay Kotasthane, *Siliconpolitik: The Case for a Quad Semiconductor Partnership* (Singapore: Institute of South Asian Studies, National University of Singapore, April 26, 2021), https://www.isas.nus.edu.sg/papers/siliconpolitik-the-case-for-a-quad-semiconductor-partnership/.

Easing intra-Quad technology transfer restrictions and strengthening IP protections—via a Quad Patent Prosecution Highway—can bolster cross-licensing and accelerate R&D.

2. Preferential access to EDA tools: High licensing costs for EDA tools hinder India's transition from services to product development. A joint Quad funding mechanism could reduce EDA tool costs for startups and fabless companies outside the US, supporting design diversification.
3. Legal trust and regulatory alignment: Geopolitical alignment alone won't sway semiconductor investors. Trust in legal systems—especially in contract enforcement and trade secret protection—is key. Quad countries must harmonize export controls and IP regulations to reduce risk and build cross-border commercial confidence.

In 2025, major diplomatic and policy initiatives further shaped US-India semiconductor cooperation:

- The TRUST (Technology Resilience and US-India Semiconductor Ties) initiative, launched under the Trump administration, has expanded the earlier iCET framework.[128] TRUST focuses on building secure semiconductor and AI supply chains, enhancing workforce mobility, and facilitating joint defense-tech development.
- The March 2023 MoU on Semiconductor Supply Chain and Innovation Partnership, signed by US Secretary of Commerce Gina Raimondo and Indian Minister Piyush Goyal, laid the foundation for coordinated investment and innovation.
- In September 2024, the US Space Force partnered with Indian startups to establish the Shakti Semiconductor Fabrication Plant, dedicated to producing chips for advanced defense systems like night vision and missile guidance, marking a significant leap in bilateral tech cooperation.

Securing access to critical minerals, which are essential for semiconductor production, is now a central strategic focus:

- India's National Critical Minerals Mission (NCMM) aims to build domestic capacity in the exploration, processing, and recycling of key minerals like lithium and rare earths. It emphasizes public-private partnerships, skills development, and green extraction.
- The US-led Minerals Security Partnership (MSP), an international coalition that includes the EU, Australia, and Japan, seeks to diversify global supply chains and reduce reliance on Chinese-dominated mineral processing networks. India has become an active partner in the MSP.

To harmonize these efforts, the Quad should incorporate mineral security into its semiconductor cooperation agenda. US technical and financial support under the MSP can complement India's NCMM goals.[129] Quad countries should pursue joint ventures that promote environmentally sustainable mining, ensure labor protections, and establish transparent mineral sourcing and recycling rules. Strengthening these upstream linkages will underpin downstream resilience in semiconductor manufacturing. These initiatives reflect a shift from fragmented national strategies toward integrated, trusted partnerships.[130]

Given the nature of geopolitical competition presently– and, **as unrealistic as it sounds**– China also stands to gain here from actively engaging in global standard-setting and promoting open-source collaboration in areas like RISC-V architecture, 3D chip stacking, and green semiconductor manufacturing. [131] China can enhance credibility, reduce geopolitical tensions, and contribute to technological progress by aligning with international norms. Supporting open innovation through neutral partnerships may offer a viable alternative to isolated, state-driven R&D. Facilitating researcher mobility and participation in events like IEEE conferences can

[128] Rudra Chaudhuri and Konark Bhandari, "The U.S.–India Initiative on Critical and Emerging Technology (iCET) from 2022 to 2025: Assessment, Learnings, and the Way Forward," *Carnegie Endowment for International Peace*, October 23, 2024, https://carnegieendowment.org/research/2024/10/the-us-india-initiative-on-critical-and-emerging-technology-icet-from-2022-to-2025-assessment-learnings-and-the-way-forward.

[129] Akshat Singh, "A Way Forward in the U.S.-India Critical Minerals Defense Partnership," *Center for Strategic and International Studies*, April 24, 2024, https://www.csis.org/blogs/new-perspectives-asia/way-forward-us-india-critical-minerals-defense-partnership

[130] "New Assessment Identifies Opportunities for Strengthening India's Role in Semiconductor Ecosystem," *Semiconductor Industry Association*, June 22, 2023, https://www.semiconductors.org/new-assessment-identifies-opportunities-for-strengthening-indias-role-in-semiconductor-ecosystem/.

[131] Rudra Chaudhuri and Konark Bhandari, "The U.S.–India Initiative on Critical and Emerging Technology (iCET) from 2022 to 2025: Assessment, Learnings, and the Way Forward," *Carnegie Endowment for International Peace*, October 23, 2024, https://carnegieendowment.org/research/2024/10/the-us-india-initiative-on-critical-and-emerging-technology-icet-from-2022-to-2025-assessment-learnings-and-the-way-forward.

improve innovation and lessen global mistrust. Greater alignment with global intellectual property standards and data protection can attract foreign investments, licensing, and joint ventures. Neutral arbitration mechanisms and stronger protections for foreign IP may also foster trust among companies seeking collaboration.

China should prioritize sustainable mining and responsible sourcing as a key player in mineral processing. Collaborating with nations involved in the Minerals Security Partnership (MSP) or the Global Battery Alliance on environmental and labor standards can allow China to demonstrate goodwill and maintain market access. China could further lead regional semiconductor initiatives through RCEP or ASEAN+3, focusing on legacy node manufacturing, advanced packaging, and automotive-grade chips. This would strengthen regional resilience without testing global export controls. Instead of pursuing complete self-reliance, China's semiconductor strategy should aim for pragmatic coexistence with the US, EU, India, and Japan, accepting limited tech restrictions while maximizing cooperation in non-sensitive areas like climate tech chips and smart city infrastructure.

Piloting co-regulatory frameworks or multilateral export review boards could enable China to manage technology risks without complete decoupling. The goal should not be technological isolation but rather strategic alignment built on shared standards, transparent governance, and the intention to invest in long-term resilience. Given the pandemic's lessons, all major semiconductor industry players must aim to build resilient and trusted supply chains.

Conclusion

India and the US's semiconductor strategies mark crucial advancements toward establishing a resilient and diversified supply chain in the Indo-Pacific region. Nevertheless, overcoming high costs, infrastructure deficits, and geopolitical risks is vital for ongoing success. The Quad's unified actions– and the steps it has taken to acknowledge China's influence– could redefine the global semiconductor landscape in the coming decades.

In conclusion, this paper identifies points of collaboration for India and the US in the semiconductor supply chains, given China's strong influence in the sector. India and the US have launched ambitious plans to enhance their semiconductor industries in the post-pandemic period. India's potential is supported by a skilled workforce and government backing, but it faces significant obstacles in infrastructure improvement and regulatory stability. On the other hand, the US capitalizes on its technological prowess but must effectively manage funding distribution and forge public-private partnerships. A strategic alignment of policies between these nations will create opportunities for enhanced collaboration within the global semiconductor supply chain. As both countries refine their semiconductor strategies, ongoing evaluations of their feasibility and consistency will be crucial for achieving successful results in the industry.

The ability of nations to coordinate and secure supply chains both at home and abroad has gained new significance, especially for critical and emerging technologies. Amid rising geopolitical tensions, various goods and commodities with limited suppliers can be wielded as tools of foreign policy. Governments are grappling with substantial challenges in establishing resilient semiconductor supply chains, particularly due to frequent misalignments between partners, stemming from differing economic and national security goals. While many of these new initiatives are still emerging, and some could potentially falter, they will fundamentally enhance each country's security and economic autonomy. This will ultimately strengthen collective resilience.

Pranay Kothasthane argues that the connection between science and technology and national power is becoming increasingly prominent, with technology likely being a significant point of geopolitical contestation during this decade. While nuclear weapons and globalization reduce the likelihood of large-scale conflicts, the implications of high-technology decoupling—across materials, machines, humans, and values—are poorly understood. Trade wars are anticipated to revolve around technological competition.

China's tech sector faces vulnerabilities, as its innovations are more costly than those in the US due to their lower quality. China's era of FDI-led technology transfer is ending while the US continues to attract top tech talent. Success in US initiatives depends on crucial funding, collaboration between government and industry, and the alignment of domestic production with global supply chains. Both

India and the US aim to reduce foreign supply chain dependency and boost domestic semiconductor manufacturing, as exemplified by their joint Initiative on Critical and Emerging Technology (iCET), which has now been updated as the TRUST initiative. However, differing regulatory frameworks, policy uncertainties with leadership changes, and market fluctuations present significant challenges and must be addressed to ensure resilience and trust.

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6

Bridging the Gap: Dutch and EU Pathways into Northeast Asia's Semiconductor Minilaterals

Martijn Cornelissen

PACIFIC FORUM
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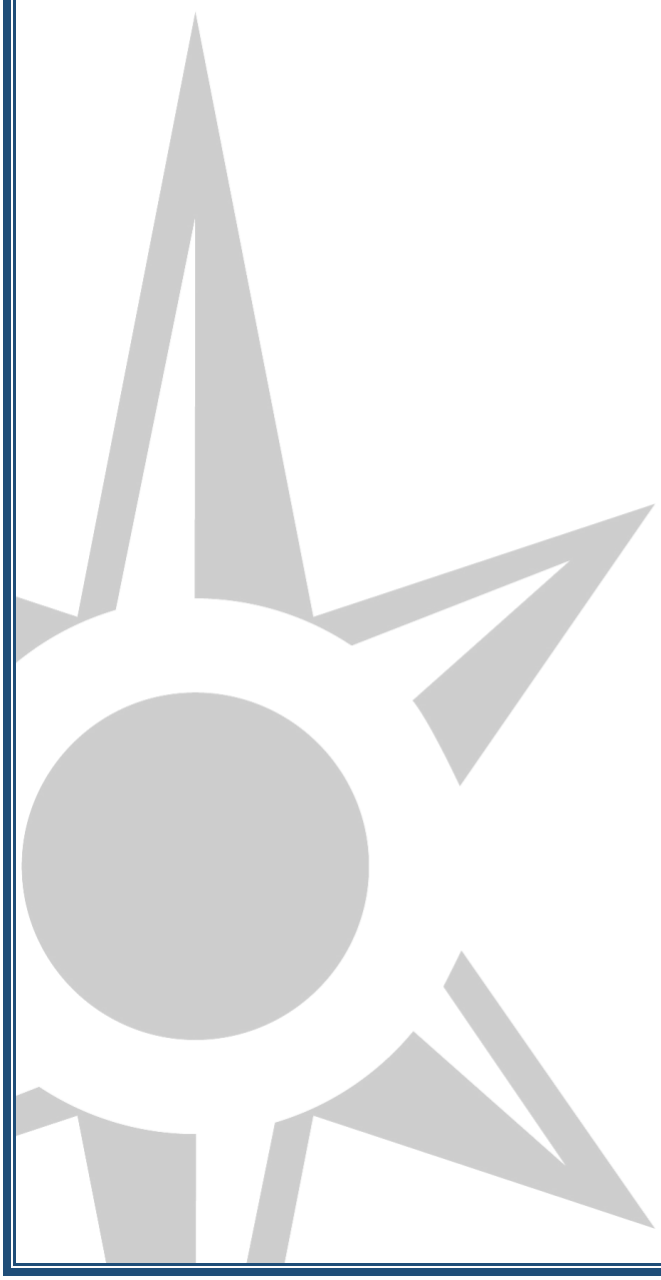

Executive Summary

Martijn Cornelissen

The global semiconductor industry is a cornerstone of modern economic security and technological innovation, generating $526.8 billion in 2023 and underpinning essential sectors such as healthcare, automotive, and defense. [1] Northeast Asia dominates this industry, with Taiwan, South Korea, and Japan playing indispensable roles. Taiwan leads in advanced chip production through TSMC, South Korea excels in memory chip manufacturing with Samsung and SK Hynix, and Japan provides critical semiconductor materials and equipment. The Netherlands, home to ASML, the sole global supplier of EUV lithography machines, is a vital player in this ecosystem, bridging Northeast Asian and European semiconductor value chains. However, the industry is under mounting strain from US-China geopolitical tensions and technological decoupling. Export controls imposed by the US have compelled Dutch firms to balance between aligning with US policies and maintaining access to lucrative Chinese markets. The 2024 return of Donald Trump to the US presidency adds further uncertainty, with protectionist policies heightening global competition and straining transatlantic cooperation.

Despite these challenges, the Netherlands and the EU have significant opportunities to deepen engagement with Northeast Asia. Dutch firms such as ASML and NXP are uniquely positioned to drive innovation through joint ventures with Japanese and South Korean companies, targeting next-generation photonics and advanced memory chip designs. The expansion of collaborative educational initiatives– such as bilateral academic programs and workforce exchange initiatives– could address pressing global semiconductor talent shortages while strengthening Dutch expertise in critical technologies. Furthermore, collaboration with Japan and South Korea to establish alternative production hubs can ensure resilience against potential geopolitical disruptions. The Netherlands can leverage existing frameworks, such as the EU-Japan Economic Partnership Agreement and the EU-South Korea Free Trade Agreement, to strengthen economic and technological ties, advancing shared goals of supply chain diversification and innovation.

Taiwan's role in the semiconductor industry underscores the critical importance of securing its stability. Producing 92% of the world's advanced logic chips, Taiwan is indispensable to industries ranging from the defense industry to the automotive industry. A conflict in the Taiwan Strait would severely disrupt global semiconductor supply chains, with far-reaching economic consequences, including a projected 10.2% reduction in global GDP.[2] For the Netherlands and the EU, mitigating these risks aligns with broader objectives of ensuring supply chain resilience and fostering stable geopolitical conditions. This necessitates proactive measures, including strengthening partnerships with trusted allies in Northeast Asia.
The Japan-US-South Korea trilateral framework serves as a model for minilateral cooperation in addressing shared semiconductor challenges. Dutch inclusion in this framework would bridge critical gaps in advanced lithography and R&D capabilities, enhance collective supply chain resilience, and address strategic vulnerabilities tied to Taiwan's geopolitical significance. Moreover, such participation will expand the

[1] "Global Semiconductor Sales Decrease 8.2% in 2023; Market Rebounds Late in Year," Semiconductor Industry Association, Feb. 5, 2024, https://www.semiconductors.org/global-semiconductor-sales-decrease-8-2-in-2023-market-rebounds-late-in-year/.
[2] Joris Teer, Davis Ellison, and Abe de Ruijter, 'The Cost of Conflict: Economic Implications of a Taiwan Military Crisis for the Netherlands and the EU' (HCSS, 28 March 2024), https://hcss.nl/report/cost-of-conflict-economic-implications-of-taiwan-military-crisis-netherlands-eu/, p.21.

Netherlands' market access, bolster its technological innovation, and strengthen its transatlantic and Indo-Pacific ties.

However, key challenges persist for Dutch and EU engagement in Northeast Asia. Amidst geopolitical tension and US-China decoupling, the US continues to pressure Dutch firms, including ASML, to align with its export controls. However, such alignment risks straining the Netherlands' economic ties with China. Furthermore, workforce shortages in the semiconductor industry require immediate attention through robust educational and workforce development strategies. Additionally, internal competition among EU member states over semiconductor priorities complicates cohesive engagement with Northeast Asian partners. Addressing these challenges will require strategic alignment at both a national level and an EU-wide level.

To mitigate these challenges and seize emerging opportunities, the Netherlands and the EU must adopt a multi-pronged strategy. Enhancing bilateral partnerships with Japan and South Korea through joint R&D projects and collaborative infrastructure investments is crucial. Integrating these efforts with the European Chips Act will reinforce strategic autonomy while fostering global partnerships. Diversifying supply chains and establishing economic deterrence measures will reduce reliance on Taiwan and mitigate the risks of geopolitical disruptions. At the EU level, aligning policies with the Indo-Pacific Economic Framework and G7 initiatives will strengthen resilience in critical technologies and semiconductor supply chains.

In conclusion, the Netherlands and the EU are well-positioned to play a pivotal role in the evolving semiconductor landscape. By leveraging their technological strengths, aligning with trusted partners in Northeast Asia, and addressing geopolitical and workforce challenges, they can enhance global supply chain resilience and semiconductor innovation. Dutch inclusion in a quadrilateral framework with Japan, South Korea, and the United States would not only bolster its strategic influence but also contribute to global stability and prosperity in the Indo-Pacific and beyond. This approach will ensure that the Netherlands and the EU remain at the forefront of shaping a secure, innovative, and resilient global semiconductor ecosystem.

Introduction

This paper explores the feasibility of Dutch or broader EU engagement in minilateral arrangements in Northeast Asia, particularly with regard to the semiconductor industry. It focuses on the Japan-US-South Korea trilateral framework as a critical platform for collaboration. The semiconductor industry has emerged as a linchpin of economic security, regional geopolitics, and global supply chains. It generated approximately $574.1 billion in revenue globally in 2022– which decreased to $526.8 billion in 2023–while underpinning critical industries such as healthcare, automotive, and defense. [1] Its strategic relevance has only intensified amid escalating US-China competition, technological decoupling, and supply chain vulnerabilities. Amid these developments, the Netherlands and the EU have found themselves increasingly drawn into the geopolitical and economic tensions surrounding the semiconductor sector.

The November 2024 victory of Donald Trump has further upended the transatlantic landscape, ushering in a transactional, protectionist era of US policy that has reshaped Europe's role in global supply chains. Against this backdrop, Dutch engagement in Northeast Asia's minilateral semiconductor initiatives is no longer just a strategic opportunity—it is becoming a geopolitical necessity. The Netherlands must navigate tensions between Brussels' preference for multilateralism and its own emerging national-conservative instinct for flexible, targeted partnerships– either by leveraging existing structures or by increasing its engagement in Northeast Asian minilateral initiatives.

This research employs a comprehensive literature study as its core methodology, analyzing a diverse range of sources to construct a detailed examination of the Netherlands' and the EU's potential engagement in semiconductor minilateral frameworks in Northeast Asia. This study integrates academic articles, policy briefs, government reports, and industry analyses to offer a multifaceted perspective on the geopolitical, economic, and technological dimensions of semiconductor diplomacy. It draws on both theoretical insights and practical case studies to evaluate the feasibility and strategic implications of Dutch involvement in minilateral arrangements.

This paper argues that the Netherlands (and by extension the EU) can more feasibly bolster its semiconductor position through collaboration with Northeast Asian minilateral initiatives, rather than through insular reshoring efforts. By joining or aligning with the Japan-US-South Korea trilateral, the Netherlands can simultaneously safeguard its technological leadership, reinforce its transatlantic and Indo-Pacific ties, and hedge against global supply chain disruptions—including the risk of a Taiwan conflict. The following chapters provide a comprehensive analysis of these dynamics, offering a strategic roadmap for Dutch and EU policymakers.

The opening sections of this paper provide a contextual overview of the global semiconductor industry and its geoeconomic significance, followed by an exploration of Northeast Asia's critical role and the emerging Japan-US-South Korea trilateral framework. Subsequent chapters analyze the opportunities and constraints for Dutch and EU engagement, including specific policy recommendations. The concluding sections synthesize the findings, emphasizing the strategic rationale for Dutch participation in a quadrilateral framework and the broader policy implications that this has for global semiconductor supply chains.

Context: Semiconductors as a Geoeconomic and Security Concern

The global semiconductor industry is dominated by Northeast Asia, a region where Taiwan, South Korea, and Japan play indispensable roles. Taiwan leads in advanced logic chip manufacturing, with companies like TSMC producing cutting-edge semiconductors. South Korea, through conglomerates like Samsung and SK Hynix, holds a dominant position in the production of memory chips, while Japan remains central to critical materials, components, and specialized equipment essential for semiconductor manufacturing. Together, these nations form the backbone of the global semiconductor supply chain. At the same time, the Netherlands holds a uniquely strategic position, with Dutch firms such as ASML serving as indispensable suppliers of extreme ultraviolet (EUV) lithography tools—technology crucial for producing the most advanced chips. As

[1] "Global Semiconductor Sales Decrease 8.2% in 2023; Market Rebounds Late in Year," 2024.

Dutch companies expand their partnerships in Northeast Asia, particularly in Japan and South Korea, their role in this strategic industry continues to grow.[2]

The intensification of US-China technological decoupling has further complicated the global semiconductor landscape. The Biden administration's sweeping export controls in 2022 and 2023 reshaped industry dynamics by restricting the sale of advanced chips and chipmaking equipment to China. These measures aimed to curb China's ability to develop cutting-edge technologies, but they also had far-reaching consequences for allied nations, including the Netherlands. Key Dutch firms, particularly ASML, were directly impacted by US pressure to align their export control policies with Washington's objectives.[3] Although ASML did not sell EUV systems to Chinese firms, Washington's push extended to deep ultraviolet (DUV) tools as well, resulting in The Hague agreeing in 2023 to expand its own export controls in line with US policy.[4] As a result, ASML was forced to cancel multiple shipments to Chinese clients, losing market share and straining its commercial relationship with one of its largest export markets.[5] Simultaneously, China's Made in China 2025 initiative represents an ambitious effort to achieve technological self-sufficiency through heavy state subsidies and domestic investments.[6] Well-documented evidence shows that Chinese firms—across strategic sectors such as semiconductors—receive heavily distortive subsidies (e.g. direct grants to listed companies rose by 67% between 2016 and 2023) and enjoy preferential access to finance and procurement, resulting in unfair competitive advantages against foreign firms like those in the Netherlands, prompting the EU's Foreign Subsidies Regulation to counter these distortions.[7] These conflicting strategies have forced Dutch firms to strike a tenuous balance between adhering to US demands and maintaining access to the lucrative Chinese market, creating significant dilemmas for both businesses and government policymakers.[8]

The November 2024 presidential victory of Donald Trump added another layer of uncertainty to this already volatile environment. Trump's return to office brought with it a renewed emphasis on protectionist trade policies. His industrial policy prioritizes the resurgence of high-tech sectors, such as semiconductors. Since taking office, the Trump administration has reaffirmed the CHIPS and Science Act—including creating a new US Investment Accelerator to supervise it—while renegotiating what it deems overly generous grant terms with an eye toward reshaping subsidy conditions.[9] Furthermore, his administration has launched a national security probe under Section 232 into chip imports, with results expected imminently—proposing potential semiconductor tariffs of up to 15% on EU goods—while also urging allies like Japan and the Netherlands to adopt comparable export restrictions.[10] In response, the Dutch government has already expanded its own export controls in January 2025 to include inspection and measurement equipment, affecting ASML's licensing requirements.[11] ASML has publicly warned that the increasing trade uncertainty, particularly potential tariffs and export curbs, could dampen demand for its lithography machines among global customers.[12] Therefore, Dutch firms, which heavily rely on access

[2] Jonas Lammertink, Tycho de Feijter, Chaitanya Giri, Alexandre Ferreira Gomes, and Maaike Okano-Heijmans, *Dutch Semiconductor Interests in Asia: The Politicisation of the Asian Semiconductor Industry*, 2023, Leiden: LeidenAsiaCentre.

[3] Gregory C. Allen, "The True Impact of Allied Export Controls on the US and Chinese Semiconductor Manufacturing Equipment Industries," Nov. 26, 2024, https://www.csis.org/analysis/true-impact-allied-export-controls-us-and-chinese-semiconductor-manufacturing-equipment.

[4] "Statement Regarding Export Control Regulations Dutch Government," ASML, June 30, 2023, https://www.asml.com/en/news/press-releases/2023/statement-regarding-export-control-regulations-dutch-government.

[5] "Statement Regarding Partial Revocation Export License," ASML, January 1, 2024, https://www.asml.com/en/news/press-releases/2023/statement-regarding-partial-revocation-export-license.

[6] Gracelin Baskaran, and Meredith Schwartz, "China Imposes Its Most Stringent Critical Minerals Export Restrictions Yet Amidst Escalating US-China Tech War," Dec. 4, 2024, Washington, D.C.: Center for Strategic and International Studies.

[7] "Far From Normal: An Augmented Assessment of China's State Support," Rhodium Group, March 17, 2025, https://rhg.com/research/far-from-normal-an-augmented-assessment-of-chinas-state-support/.

[8] Lammertink et al., Dutch Semiconductor Interests in Asia, Feb. 1, 2023, 110.

[9] Karen Kwok, "Breakingviews - Donald Trump's US Chip Revival Is Half-Assembled," Breakingviews, *Reuters*, June 17, 2025, https://www.reuters.com/commentary/breakingviews/donald-trumps-us-chip-revival-is-half-assembled-2025-06-17/; Gabriel Rubin, "Breakingviews - Muddled US Meddling Grinds Factory Gears," Breakingviews, *Reuters*, June 26, 2025, https://www.reuters.com/commentary/breakingviews/muddled-us-meddling-grinds-factory-gears-2025-06-25/.

[10] Andrew Gray et al., "US to Release Result of Probe into Chip Imports in Two Weeks," Asia Pacific, *Reuters*, July 27, 2025, https://www.reuters.com/world/asia-pacific/us-release-result-probe-into-chip-imports-two-weeks-2025-07-27/; Aaron Mak, "The 'Chip War' under Trump," POLITICO, July 25, 2025, https://www.politico.com/newsletters/digital-future-daily/2025/06/10/the-chip-war-under-trump-00397048.

[11] "Netherlands to Expand Export Controls on Semiconductor Equipment," Technology, *Reuters*, January 15, 2025, https://www.reuters.com/technology/netherlands-expand-export-controls-semiconductor-equipment-2025-01-15/.

[12] Pieter Haeck, "European Chips Champion ASML Warns of Trump Tariff 'Uncertainty,'" POLITICO, April 16, 2025, https://www.politico.eu/article/european-chips-champion-asml-warns-of-tariff-uncertainty/.

to global markets, could face additional restrictions on their exports to China. This shift underscores the broader geopolitical risks Dutch and EU stakeholders must navigate as they balance their economic interests with the strategic alignment demanded by the United States.[13] Such strategic alignment offers clear benefits: it strengthens defense and intelligence cooperation with allies, provides access to broader R&D networks, and enhances collective bargaining power in tech standards. Especially when European think tanks such as the Centre for European Reform and ISS have warned that a second Trump administration could fracture transatlantic coordination on trade and foreign policy if we keep following a more hostile trajectory.[14] In response, the EU would need to prioritize cohesion among member states while exploring avenues for multilateral engagement with trusted partners like Japan and South Korea. The semiconductor sector, as a linchpin of technological competition, will remain at the forefront of these tensions, requiring careful diplomatic and economic maneuvering.[15]

The EU has already begun implementing policies to strengthen its semiconductor sector and reduce external dependencies. The European Chips Act aims to double Europe's share of global semiconductor production from 9% to 20% by 2030 through a combination of public and private investments totaling €43 billion ($49 billion).[16] For instance, the EU's recent funding of the European Processor Initiative (EPI), which focuses on developing advanced microprocessors for critical industries, has demonstrated early success by fostering collaboration between academia and private industry. This initiative focuses on bolstering research, innovation, and production capacities, while encouraging collaboration with strategic partners in Asia.[17] In the Netherlands, targeted policies support semiconductor research and development, particularly in high-tech equipment industries such as ASML and NXP.[18] However, challenges remain, including a persistent shortage of skilled talent, geopolitical risks, and the need to strike a balance between US and Chinese interests.[19]

Amid these broader developments, Northeast Asia has emerged as a critical arena for trilateral cooperation between Japan, South Korea, and the United States. Under the Biden administration, the trilateral partnership advanced significantly, focusing on economic security and supply chain resilience.[20] This cooperation has been driven by shared concerns over North Korea's missile threats and China's growing geoeconomic influence.[21] Recent diplomatic engagements explicitly integrate semiconductor industry collaboration into the U.S.–Japan–South Korea trilateral framework. In June 2024, trade ministers from all three countries committed to strategic cooperation in semiconductor supply chains—among other high-tech sectors—emphasizing technology security and resilience as core shared concerns.[22] This commitment, anchored by the Camp David principles and institutionalized in a new economic-diplomatic dialogue, reflects a deliberate shift to align export controls, supply-chain coordination, and R&D initiatives within the trilateral context.[23] Japan has made strategic

[13] POLITICO, "Trump's in. Here's What It Means for Europe," Nov. 6, 2024, https://www.politico.eu/article/donald-trump-washington-us-elections-win-2024-kamala-harris-europe-russia/; Davis Ellison, and Paul van Hooft, *Twilight of Atlanticism? America's Shifting Approaches to Europe*, 2024. (The Hague: The Hague Centre for Strategic Studies.)

[14] Centre for European Reform, "Surviving Trump 2.0: What Does the US Election Mean for Europe's Economy?," 2024 (London: CER.), https://www.cer.eu/publications/archive/policy-brief/2024/surviving-trump-20-what-does-us-election-mean-europes-economy; 'From Washington to Brussels: The US Election and EU Foreign Policy | European Union Institute for Security Studies," Nov. 6, 2024, https://www.iss.europa.eu/publications/commentary/washington-brussels-us-election-and-eu-foreign-policy.

[15] Thomson Reuters, "Trump's Economic and Regulatory Implications," 2024, https://www.thomsonreuters.com/en-us/posts/government/trump-economic-regulatory-implications/; Esade Dobetter, Donald Trump's Victory and Its Implications for the EU, 2024. (Barcelona: Esade Business School.) https://dobetter.esade.edu/en/donald-trump-victory-EU.

[16] European Commission, "Statement by President von der Leyen on the European Chips Act," Feb. 8, 2022, https://ec.europa.eu/commission/presscorner/detail/en/statement_22_866; Kjeld van Wieringen, "Strengthening EU chip capabilities. How will the chips act reinforce Europe's semiconductor sector by 2030?", European Parliament, July 2022, https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733585/EPRS_BRI(2022)733585_EN.pdf;; European Commission, "Commission Staff Working Document. A Chips Act for Europe," 77, https://digital-strategy.ec.europa.eu/en/library/european-chips-act-staff-working-document.

[17] 'Consortium," European Processor Initiative, https://www.european-processor-initiative.eu/project/consortium/.

[18] 'Firms Including Chip Equipment Maker ASML Set up Fund for Eindhoven Development,"*Reuters*, 18 December 2024, sec. Technology, https://www.reuters.com/technology/firms-including-chip-equipment-maker-asml-set-up-fund-eindhoven-development-2024-12-18/.

[19] Mauro Orru, 'Netherlands Expands Export Control Rules for Some ASML Equipment," *Wall Street Journal*, Sept. 6, 2024, https://www.wsj.com/tech/netherlands-expands-export-control-rules-for-some-asml-equipment-13f550ac.

[20] Lee Shinae, "Mind the Gap: Achievements and Limitations of Japan-ROK-US Cooperation within the Indo-Pacific Context," 2023. (Sasakawa Peace Foundation.) https://www.spf.org/iina/en/articles/lee_03.html.

[21] Wooseon Choi, 'New Horizons in Korea-US-Japan Trilateral Cooperation," June 27, 2024, https://www.csis.org/analysis/new-horizons-korea-us-japan-trilateral-cooperation.

[22] James Park and Mike Mochizuki, "The U.S.–Japan–South Korea Trilateral Partnership: Pursuing Regional Stability and Avoiding Military Escalation," *Quincy Institute for Responsible Statecraft*, April 22, 2024, https://quincyinst.org/research/the-u-s-japan-south-korea-trilateral-partnership-pursuing-regional-stability-and-avoiding-military-escalation/.

[23] Ibid; Yeo Han-koo, "US-Japan-Korea Trilateral Cooperation Can Herald a New Era of Economic Security Partnership in the Indo-Pacific Region | PIIE," Peterson Institute for International Economics, September 1, 2023,

investments in semiconductor production and critical materials, partnering with companies like TSMC, Kioxia, and Micron to enhance its domestic capabilities. [24] South Korea, meanwhile, has implemented government-backed initiatives to reinforce its semiconductor industry and reduce reliance on Chinese supply chains. [25] In this way, Japan's and South Korea's domestic semiconductor initiatives reinforce—not detract from—the trilateral cooperation already underway, offering concrete capabilities upon which Dutch or EU engagement could be built through complementary partnerships in supply-chain integration and technology exchange. The return of Donald Trump to the US presidency could significantly impact semiconductor policies by emphasizing a decoupling strategy with China. This demonstrates the importance of alliances like the trilateral framework for semiconductor resilience.[26]

For the Netherlands, the strengthened US–Japan–South Korea partnership and the push for supply-chain resilience present opportunities to deepen collaboration with Japan and South Korea. Dutch firms can operationalize these opportunities by aligning their advanced lithography and semiconductor design expertise with the technological needs of Japanese and South Korean firms. For instance, joint ventures focused on next-generation photonics or memory chip designs could create mutually beneficial innovation pathways. Additionally, expanding talent exchange programs through partnerships with South Korean institutions would help address workforce shortages in high-tech industries. Participation in trilateral or broader minilateral initiatives offers additional avenues to enhance Dutch semiconductor resilience and strengthen economic ties in the Indo-Pacific region. By aligning its strategy with emerging minilateral frameworks, the Netherlands can position itself as a valuable partner in Northeast Asia's semiconductor ecosystem while navigating the complexities of shifting geopolitical dynamics.

Northeast Asia: Trilateral Minilateralism and Its Implications

The Japan-US-South Korea trilateral framework has emerged as a critical mechanism for addressing economic and security challenges in Northeast Asia. Recent advancements within this partnership, particularly regarding semiconductor supply chain resilience and export control coordination, highlight its increasing relevance in the global geopolitical and economic landscape. For the Netherlands and the EU, understanding the dynamics of this minilateral cooperation is essential to assessing opportunities for engagement while navigating the region's key challenges.

Japan-South Korea-US Trilateral Cooperation on Semiconductors

In recent years, the Japan-US-South Korea trilateral relationship has strengthened significantly, driven by a convergence of economic and security interests. This minilateral partnership served as a key pillar of the Indo-Pacific Economic Framework (IPEF), a US-led initiative during the Biden administration that sought to bolster economic security and supply chain resilience in the region. [27] One major area of cooperation in the IPEF was the semiconductor industry, where all three nations play critical roles. Japan remains central to supplying critical materials and equipment, South Korea leads in memory chip production, and the United States maintains its dominance in chip design and foundational technologies. Although IPEF has effectively been dismantled under the Trump administration, semiconductor coordination is still part of the trilateral channel. Through their trilateral partnership, these three countries have bolstered their cooperation– particularly in supply chain resilience, export-control alignment, and joint engagement on R&D policy.[28]

https://www.piie.com/blogs/realtime-economics/2023/us-japan-korea-trilateral-cooperation-can-herald-new-era-economic.

[24] Nikkei, 'Japan to subsidise TSMC's Kumamoto plant by up to $3.5bn," *Nikkei*, June 17, 2022, https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-subsidise-TSMC-s-Kumamoto-plant-by-up-to-3.5bn; 'Japan's Pursuit of a Game-Changing Technology and Ecosystem for Semiconductors," The Government of Japan - JapanGov, March 1, 2024, https://www.japan.go.jp/kizuna/2024/03/technology_for_semiconductors.html.

[25] Jung Min-hee, 'Government to Expand Tax Benefits for Semiconductor Facility and R&D Investments," Businesskorea, Nov. 27, 2024, https://www.businesskorea.co.kr/news/articleView.html?idxno=230451.

[26] Nikkei Asia, "Untold Story of Chip War - Global Tech Supply Chains Under A New US President," Nov. 28, 2024. https://www.youtube.com/watch?v=1ObRyByMMzc&ab_channel=NikkeiAsia.

[27] 'Indo-Pacific Economic Framework for Prosperity (IPEF),"Office of the United States Trade Representative, accessed Dec. 22, 2024, https://ustr.gov/trade-agreements/agreements-under-negotiation/indo-pacific-economic-framework-prosperity-ipef.

[28] "The Spirit of Camp David: Joint Statement of Japan, the Republic of Korea, and the United States," The White House, Aug. 18, 2023, https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2023/08/18/the-spirit-of-camp-david-joint-statement-of-japan-the-republic-of-korea-and-the-united-states/; David Shepardson, "US, Japan, South Korea Vow Strategic Cooperation to Boost Security, Economies," World, *Reuters*, June 27, 2024, https://www.reuters.com/world/us-japan-south-korea-vow-strategic-cooperation-boost-security-economies-2024-06-27/.

The three countries have not agreed on export controls, however. The United States had proposed a coordinated implementation of export controls on semiconductor technologies between the US, Japan, South Korea, and Taiwan fell through due to differences in interests. Nonetheless, US maneuvering surely prompted Japan and South Korea to align their policies more closely with the United States, particularly regarding advanced chip manufacturing equipment.[29]

Key Challenges in Trilateral Dynamics

Despite recent progress, the Japan-US-South Korea trilateral relationship faces persistent challenges, particularly rooted in historical tensions between Japan and South Korea. Issues related to Japan's period of colonial rule over Korea and its actions during World War II, such as compensation for forced labor and territorial disputes, have frequently disrupted Japan-South Korea bilateral relations and hindered deeper cooperation. [30] While recent diplomatic efforts have improved ties, these historical grievances remain a potential source of instability that could undermine the long-term effectiveness of the trilateral partnership.[31]

Another significant challenge lies in the diverging priorities between the United States and its regional allies regarding China. While Washington has emphasized decoupling from China and implementing stringent export controls, Japan and South Korea have adopted a more cautious approach to avoid jeopardizing their extensive economic ties with Beijing.[32] This divergence highlights the delicate balancing act that Japan and South Korea must perform as they navigate their strategic relationships with both the United States and China.

Minilateral Cooperation as a Flexible Model

Multilateral institutions have frequently been too cumbersome to address rapid supply-chain disruptions, particularly in the semiconductor sector. For example, the WTO's dispute-settlement mechanisms proved ineffective in responding to state-driven industrial subsidies or export-control regimes like those pursued under China's *Made in China 2025*, which often fall outside traditional subsidy definitions and evade WTO enforcement through systemic indirect support to firms. [33] Consequently, governments are shifting toward minilateral arrangements, which offer faster, sector-specific coordination among trusted partners. The United States under the Biden Administration has explicitly advocated this approach—favoring minilateral pacts with advanced economies such as Japan and South Korea—since institutional multilateralism was seen as slow and insufficient for economic security challenges.[34] In the semiconductor realm, this logic is evident: the US and South Korea have enhanced bilateral export-control coordination to de-risk vulnerable supply chains, while trilateral efforts among the US, Japan, and the Netherlands aim to align licensing regimes and limit Chinese access to critical chip-making technologies, and those between Japan, South Korean and the US on economic security involve balancing efforts to enhance resilience, competitiveness, and protection in the face of evolving global dynamics and strategic competition.[35] Such minilateral formats yield agility and tailored cooperation, aligning export-control and R&D collaboration more effectively than broader multilateral frameworks. While historical tensions and diverging threat perceptions remain obstacles, the model of focused, issue-specific coalitions provides a valuable template for Dutch and broader EU engagement in the semiconductor sector.

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[29] Kana Inagaki et al., "US Struggles to Mobilise Its East Asian 'Chip 4' Alliance," *Financial Times*, Sept. 12, 2022, sec. Semiconductors, https://www.ft.com/content/98f22615-ee7e-4431-ab98-fb6e3f9de032.

[30] "What to Expect from Japan-South Korea Relations After Kishida." Sept. 6, 2024. *Atlantic Council*. https://www.atlanticcouncil.org/blogs/new-atlanticist/what-to-expect-from-japan-south-korea-relations-after-kishida/.

[31] Lee Shinae, *Mind the Gap*, 2023.

[32] Ibid.

[33] Rhodium Group, "Far From Normal."

[34] Jennifer Kavanagh and Mariano-Florentino (Tino) Cuéllar, "U.S. Engagement in the Indo-Pacific: Don't Trade Away Trade," Carnegie Endowment for International Peace, June 25, 2024, https://carnegieendowment.org/research/2024/06/us-engagement-in-the-indo-pacific-dont-trade-away-trade?lang=en; Andrea Brugora and Filippo Fasulo, "The Rise of Competing Minilateralism Challenges Multilateralism," *ISPI*, December 27, 2023, https://www.ispionline.it/en/publication/the-rise-of-competing-minilateralism-challenges-multilateralism-158673.

[35] Kristi Govella, "U.S.-ROK-Japan Trilateral Engagement on Economic Security: Disentangling Resilience, Competitiveness, and Protection," *Asia Policy* 20, no. 1 (2025), https://ora.ox.ac.uk/objects/uuid:56a17941-b80a-4f5e-a954-48d8f04aee2b; Gwanhoo Lee and Doug Strub, *U.S.-ROK Tech Cooperation: Export Controls, Data Policy, and Artificial Intelligence | The National Bureau of Asian Research (NBR)*, March 5, 2024, https://www.nbr.org/publication/u-s-rok-tech-cooperation-export-controls-data-policy-and-artificial-intelligence/; Jennifer Ahn, "U.S.-South Korea Policy Coordination on Supply Chain Resiliency | Council on Foreign Relations," accessed July 28, 2025, https://www.cfr.org/blog/us-south-korea-policy-coordination-supply-chain-resiliency; "Source: Dutch, Japanese Join US Limits on Chip Tech to China." *AP News*. Jan. 30, 2023. https://apnews.com/article/technology-district-of-columbia-netherlands-china-business-6801d6c5f65b0bc1df6186e2e89a6f7d.

Opportunities for Dutch or EU Engagement

The Netherlands occupies a pivotal role in the global semiconductor supply chain, primarily through its leadership in advanced lithography technology. ASML remains the world's sole supplier of EUV lithography machines, which are essential for producing the most advanced semiconductors. This technological advantage positions the Netherlands as a critical partner for nations like Japan and South Korea, which are integral players in semiconductor manufacturing. Japan relies on its strength in materials and equipment supply, while South Korea dominates the global memory chip market through companies such as Samsung and SK Hynix. [36] Collaborating with these nations would not only expand the Netherlands' market opportunities but also enhance the resilience of global semiconductor supply chains.

Potential partnerships extend beyond technological exchanges. Joint research and development initiatives between Dutch, Japanese, and South Korean firms would offer significant opportunities to drive innovation in emerging technologies. Next-generation semiconductor production, photonics, and artificial intelligence represent additional areas of mutual interest that align with global technological trends. Moreover, talent exchange programs can address the pressing workforce shortages in the semiconductor industry. South Korea, for example, has prioritized attracting international expertise and students to bolster its semiconductor sector, creating an opening for Dutch collaboration in education and training programs.[37]

The importance of supply chain diversification also creates opportunities for closer ties. Given the growing need to reduce overreliance on any single region, Japan and South Korea are seeking trusted partners to reinforce their semiconductor ecosystems. The Netherlands, with its established technological base and strategic alignment with Western economies, offers a reliable partner for achieving these goals. Joint initiatives aimed at building resilient and geographically distributed supply chains would benefit all parties involved by reducing vulnerabilities to geopolitical disruptions.[38]

Existing Frameworks for Collaboration

The Netherlands and the broader EU can leverage existing frameworks to facilitate greater engagement with Japan and South Korea. The EU-Japan Economic Partnership Agreement (EPA) and the EU-South Korea Free Trade Agreement (FTA) provide strong foundations for economic cooperation. [39] These agreements have already lowered trade barriers, enhanced regulatory alignment, and fostered greater market access for European companies, including those in high-tech industries such as semiconductors. Through the EU–RoK Digital Partnership launched in 2022 and anchored in the Korea–EU FTA framework, the Chips Joint Undertaking and South Korea's National Research Foundation co-funded four joint semiconductor R&D projects in mid-2024.[40] These €12 million projects (including ENERGIZE and HAETAE) focus on heterogeneous integration and neuromorphic computing—areas vital to next-generation AI chips—combining EU and Korean technical strengths and demonstrating the potential of structured cooperation under existing institutional arrangements. [41] .Furthermore, at the third EU–Japan Digital Partnership Council in Tokyo (2025), both parties reaffirmed their commitment to deepen semiconductor collaboration within the Digital Partnership framework. [42] They agreed to expand efforts to ensure supply chain resilience via information exchange and early-warning mechanisms, and to explore joint research and coordination on semiconductor technologies and policy alignment through established consultation

[36] Eun-jin Kim, "Only 3 Korean Semiconductor Companies Make It to Global Top 100," *BusinessKorea*, Oct. 25, 2022, http://www.businesskorea.co.kr/news/articleView.html?idxno=102779#:~:text=24%20that%20the%20global%20top,%2C%20Taiwan%20and%20Japan%2C%20respectively; Lammertink et al., *Dutch Semiconductor Interests in Asia*, 2023, 63-64.

[37] Anoma P. van der Veere, "The Netherlands and South Korea: From Semiconductors to Universities," June 2024, 4-7. (Leiden: LeidenAsiaCentre.)

[38] Joyce Lee and Hyunjoo Jin, "South Korea government, Samsung team up for self-sufficiency after Japan export curbs on chip material," *Reuters*, https://www.reuters.com/article/us-southkorea-japan-chip-analysis-idUSKBN26501U; Lammertink et al., *Dutch Semiconductor Interests in Asia*, 2023, p.93.

[39] 'EU Trade Relations with South Korea," European Commission, June 13, 2024, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en; 'EU-Japan Economic Partnership Agreement," European Commission, July 16, 2024, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/japan/eu-japan-agreement_en.

[40] "EU-Republic of Korea Digital Partnership - Joint EU/Republic of Korea Chips Projects Announced | Shaping Europe's Digital Future," European Commission, July 17, 2024, https://digital-strategy.ec.europa.eu/en/news/eu-republic-korea-digital-partnership-joint-eurepublic-korea-chips-projects-announced.

[41] Ibid.

[42] "Third Meeting of the Japan-EU Digital Partnership Council Held" Digital Agency, May 15, 2025, https://www.digital.go.jp/en/news/9b948ac0-10fb-47d0-aff8-7534d9bb042b.

channels.[43] Within these dialogues, dedicated working groups or joint research forums have already been instituted—such as the EU–Korea Semiconductor Researchers Forum—to facilitate talent exchanges, shared access to facilities, and joint R&D funding calls.[44] Similarly, EU–Japan coordination includes semiconductors as one of the focal pillars in digital technology discussions and early warning mechanisms for supply disruption risks.[45] In essence, the Netherlands and the EU need not build new structures from scratch. Rather, they can propose semiconductor-specific add-on mechanisms—such as thematic working groups or R&D consortia—embedded within these existing high-level engagements. This approach would allow Dutch firms to both contribute to and draw on established platforms, opening entry points for Dutch industry—particularly leading-edge equipment providers like ASML—to engage in policy dialogues, joint innovation programs, and talent development schemes with East Asian partners, under the regular rubric of EU–Japan or EU–Korea partnership frameworks.

At the bilateral level, the Netherlands has cultivated robust relationships with key Indo-Pacific partners, particularly South Korea. The South Korea-Netherlands partnership, often referred to as a "tech alliance," underscores the complementary nature of their semiconductor industries. Dutch expertise in equipment manufacturing and South Korea's dominance in chip production provide fertile ground for collaboration. Joint efforts in research, innovation, and workforce development can further cement this partnership while contributing to global supply chain stability.[46]

Similarly, Japan's focus on strengthening its semiconductor industry aligns with Dutch capabilities in advanced manufacturing equipment. Initiatives such as Japan's collaboration with Taiwan's TSMC to build domestic production capacity highlight the potential for involving Dutch firms in similar projects.[47] As Japan continues to invest in its semiconductor ecosystem, the Netherlands is well-positioned to play a key role through the provision of cutting-edge technology and expertise.

Beyond bilateral industrial cooperation, this evolving synergy was already reflected in the 2023 agreement between the United States, the Netherlands, and Japan to coordinate export controls on advanced semiconductor manufacturing equipment. The Netherlands' decision to restrict ASML's exports to China demonstrates the broader influence of these coordinated measures.[48] Such alignment highlights the role of minilateral cooperation in mitigating vulnerabilities within the global semiconductor supply chain while enhancing collective resilience against geopolitical disruptions. It also shows where the Netherlands might bridge gaps in the US-Japan-South Korea trilateral with regard to semiconductors.

Reception by Japan and South Korea

Japan and South Korea would likely welcome Dutch or EU involvement in their semiconductor partnership, albeit with some strategic caveats. Japan has actively sought closer semiconductor cooperation with Europe: in mid-2023, Tokyo signed a semiconductor Memorandum of Cooperation with the Netherlands to facilitate joint research (including support for Japan's new chipmaker Rapidus) and share policy information.[49] This builds on Japan's economic security strategy, which emphasizes like-minded tech partnerships. EU-Japan dialogues have already produced an early warning mechanism for chip supply chain disruptions, reflecting Japan's support for broader coalition efforts in semiconductors.[50] Including the Netherlands in the US-Japan-South Korea framework would fill a key gap in capabilities that Japan cannot cover alone. Japanese officials have signaled that "chips are vital for our economic security" and that strengthening supply chain resilience with partners is essential.[51]

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[43] Ibid.

[44] "EU-Republic of Korea Digital Partnership - Joint EU/Republic of Korea Chips Projects Announced | Shaping Europe's Digital Future," European Commission, July 17, 2024, https://digital-strategy.ec.europa.eu/en/news/eu-republic-korea-digital-partnership-joint-eurepublic-korea-chips-projects-announced.

[45] Digital Agency, "Third Meeting of the Japan-EU Digital Partnership Council Held."

[46] Anoma P. van der Veere, 'The Netherlands and South Korea," 2024, 3.

[47] David Sacks, "Shinzo Abe Transformed Japan's Relationship With Taiwan to Counter Threats from China," July 13, 2022, https://www.cfr.org/blog/shinzo-abe-transformed-japans-relationship-taiwan-counter-threats-china; Nikkei, 'Japan to subsidise TSMC's Kumamoto plant by up to $3.5bn," *Nikkei*, June 17, 2022, https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-subsidize-TSMC-s-Kumamoto-plant-by-up-to-3.5bn.

[48] "Source: Dutch, Japanese Join US Limits on Chip Tech to China." *AP News*. 2023.

[49] "Japan, Netherlands Sign Chip Cooperation Agreement," *Reuters*, June 21, 2023, sec. Government, https://www.reuters.com/article/legal/government/japan-netherlands-sign-chip-cooperation-agreement-idUSP8N37S01N/.

[50] Anne-Françoise Pelé, "EU, Japan Sign MOU on Semiconductors," EE Times Europe, July 4, 2023, https://www.eetimes.eu/eu-japan-sign-mou-on-semiconductors/.

[51] Ibid.

Therefore, Tokyo would likely favor Dutch/EU participation as it bolsters collective self-sufficiency and aligns with Japan's push to "boost the resilience of the chip supply chain" with trusted partners.[52]

However, recent Japanese political developments factor into the feasibility of such minilateral arrangements. In July 2025, Prime Minister Shigeru Ishiba's ruling coalition lost its majority in Japan's upper house election, significantly weakening his government.[53] Ishiba—who had only come to power in late 2024—now leads a minority government and faces mounting pressure within his own LDP party. He has vowed to remain in office, citing the need to conclude urgent trade talks with the Trump administration to avert steep US tariffs by an August 1 deadline.[54] However, his grip on power is tenuous. To pass legislation or avoid a no-confidence vote, Ishiba will likely depend on ad hoc alliances with both centrist and right-wing factions in the Diet. Notably, a populist far-right party (Sanseito) made strong gains in the upper house (increasing from 1 to 14 seats), which means any compromise might involve catering to more nationalist policy preferences.[55] A fragmented Diet and restive LDP factions could translate into policy drift or ambivalence on new international initiatives. For example, if Ishiba courts right-wing support, his government might prioritize "Japanese first" economic policies or proceed cautiously on sharing sensitive technology. On the other hand, centrist allies will push Ishiba to maintain stable ties between Japan and its partners. The upshot is that Japan's ability to commit wholeheartedly to new semiconductor cooperation frameworks may be constrained in the near term. Frequent leadership changes (or even the prospect of Ishiba being unseated) inject uncertainty into international partnerships. For the Netherlands and the EU, this means any engagement with Japan in a semiconductor alliance must account for Tokyo's domestic volatility. Patience and flexibility are needed, as Japan's political calendar could slow down decision-making or alter strategic priorities. Still, Japan's long-term interests in supply-chain security are likely to endure beyond the current political turbulence.

South Korea's response will likely also be positive but nuanced. Under President Yoon Suk Yeol, Seoul has moved decisively closer to US and European partners on tech cooperation. In late 2022, the Netherlands and South Korea elevated relations to a *"strategic partnership"* centered on jointly protecting critical technologies.[56] By December 2023, Yoon and Dutch Prime Minister Mark Rutte announced a comprehensive *"semiconductor alliance"*—a public-private partnership to enhance supply chain security and co-develop chip technology.[57] This included plans for biennial ministerial dialogues and collaborative R&D investments– for example, between ASML and Samsung's $760+ million EUV research facility in Korea.[58] These steps indicate Seoul's strong interest in deeper semiconductor ties with the Netherlands, suggesting it would support Netherlands' inclusion in a minilateral chip coalition. Indeed, South Korea views the Netherlands as a *"mutually supplementary"* player in the global chip value chain and is eager to leverage Dutch strengths in lithography and design, though this appreciation has yet to fully materialize in concrete projects.[59]

It is important to note that South Korea's forward-leaning semiconductor and security cooperation under President Yoon is now facing an inflection point after the election of a new South Korean president in 2025. Lee Jae-myung, who won the snap election on June 3, 2025, is expected to adopt a more 'pragmatic' and balanced foreign policy than his predecessor.[60] Early signs indicate that while Lee values the US alliance, he will seek greater autonomy in Seoul's dealings. For example, as an opposition figure, Lee was cooler toward Japan—insisting on a sincere apology from Tokyo over historical issues before deepening ties. Lee has also signaled that he won't provoke China by fully aligning with

[52] Ibid.
[53] Mariko Katsumura et al., "Japan's Shaky Government Loses Upper House Control," World, *Reuters*, July 21, 2025, https://www.reuters.com/world/japans-shaky-government-loses-upper-house-control-2025-07-21/.
[54] Gavin Blair, "Japan PM Shigeru Ishiba Vows to Stay on despite Losing Upper House Majority," World News, *The Guardian*, July 20, 2025, https://www.theguardian.com/world/2025/jul/20/apan-pm-election-result-exit-polls-predict-loss-of-upper-house.
[55] Ibid.
[56] Friso Stevens, "With Chips on the Brain, Netherlands Seeks an Ally in South Korea," Jan. 8, 2023, https://thediplomat.com/2023/01/with-chips-on-the-brain-netherlands-seeks-an-ally-in-south-korea/.
[57] Kim Eun-jung, "(LEAD) S. Korea, Netherlands Agree to Establish 'semiconductor Alliance' in Summit," Yonhap News Agency, Dec, 13, 2023, https://en.yna.co.kr/view/AEN20231213010351315.
[58] Ibid.
[59] Ibid.
[60] Daniel R. DePetris, "PacNet #44 – The US-ROK Alliance Will Change under Lee Jae-Myung," *Pacific Forum*, June 4, 2025, https://pacforum.org/publications/pacnet-44-the-us-rok-alliance-will-change-under-lee-jae-myung/.

Washington's containment policies.[61] This contrasts with Yoon's approach and raises questions about policy continuity. Indeed, analysts had urged institutionalizing initiatives like the US-ROK-Japan tech partnership precisely to "hedge against the risk of reversal," should a less like-minded president follow Yoon. Now that this scenario has materialized, Seoul's enthusiasm for such cooperation may cool if the new administration chooses to prioritize opts for a more pragmatic, balance-oriented diplomacy to rebalance its stance between Washington and Beijing that deviates from Washington's preferred pace or posture. While the alliance framework will persist, the scale and speed of South Korea's engagement in new semiconductor initiatives—especially those seen as part of US-led "tech decoupling"—may be tempered under President Lee.[62] It would be prudent for Dutch and EU stakeholders to seek assurances of continuity from South Korea through bureaucratic or industry-level ties, and to emphasize mutual benefits, making any joint projects resilient to Korean domestic political shifts.

Still, Seoul's willingness is tempered by regional sensitivities. Historically, South Korea was cautious about joining overtly anti-China tech groupings—it notably balked at a US-proposed "Chip 4" alliance (with the US, Japan, and Taiwan) out of concern for provoking Beijing.[63] Both Japan and South Korea have extensive trade with China, so any expanded semiconductor club must be framed as defensive and collaborative rather than confrontational. South Korean industry voices—including Dutch firm NXP's East Asia operations—have echoed concerns about disrupting the China-inclusive supply chain for mature chips.[64] Therefore, Seoul would likely welcome Dutch participation as long as the initiative is presented as "friend-shoring" for resilience and not an explicit anti-China bloc. Given that precondition, Dutch/EU entry could even be seen in Seoul as *enhancing* the legitimacy of the coalition by involving a key European power, thereby distributing the geopolitical risk. In sum, both Tokyo and Seoul are strategically inclined to support a Dutch/EU fourth partner in their semiconductor trilateral: Japan because it strengthens a like-minded supply chain network, and South Korea because the Netherlands' complementary capabilities and shared de-risking approach can bolster South Korea's tech security without overly sharpening the Sino-US divide. The outlook is promising, but not without reservations—for instance, a Lee Jae-myung presidency in South Korea could shift priorities, and in Japan, Ishiba's need to build a coalition might slow new initiatives. These factors temper the opportunities outlined above.

Leveraging Multilateral Platforms

In addition to bilateral and regional frameworks, the Netherlands and the EU can engage with Japan and South Korea through broader multilateral platforms. Cooperation under G7 frameworks provides one such pathway for engagement. As members of the G7, Japan and the EU share common interests in promoting secure and resilient supply chains, particularly in critical technologies such as semiconductors. Recent G7 commitments to counter economic coercion and advance technological cooperation offer opportunities for joint initiatives that include the Netherlands. These platforms enable like-minded partners to align strategies, share best practices, and coordinate investments to address shared economic and security challenges.[65]

The Netherlands can also leverage its position within broader transatlantic initiatives to foster cooperation with Japan and South Korea. Programs aimed at enhancing technology standards, research collaboration, and investment in infrastructure provide avenues for deeper engagement. By aligning its efforts with multilateral initiatives, the Netherlands can amplify its role as a key player in the semiconductor industry while reinforcing partnerships with Northeast Asian nations.

The Netherlands and the broader EU are well-positioned to engage with Japan and South Korea in strengthening semiconductor supply chain resilience and driving technological innovation. The Netherlands' leadership in advanced lithography tools, coupled with Japan and South Korea's strengths in production and materials, creates significant opportunities for collaboration. Existing frameworks, such as the EU-Japan Economic Partnership Agreement and the EU-South Korea Free Trade Agreement, provide a solid foundation for deepening these ties. Furthermore, participation in multilateral platforms like G7 initiatives allows the Netherlands to align its strategy with broader efforts

[61] Ibid.
[62] Ibid.
[63] Stevens, "With Chips on the Brain, Netherlands Seeks an Ally in South Korea."
[64] Ibid.
[65] Erik Brattberg, and Philippe Le Corre, *The Case for Transatlantic Cooperation in the Indo-Pacific*, 2019 (Washington, D.C.: Carnegie Endowment for International Peace.)

to secure global semiconductor supply chains. By capitalizing on these opportunities, the Netherlands can strengthen its economic relationships in Northeast Asia while contributing to global economic security and resilience. However, there are also challenges that may impede deeper collaboration.

Constraints and Risk

The deepening rivalry between the United States and China presents one of the most significant challenges to Dutch and EU engagement in Northeast Asia's semiconductor sector. As Washington and Beijing continue their technological decoupling, Dutch firms like ASML face increasing pressure to align with US-led export control policies. While such measures align with transatlantic security interests, they place the Dutch government and businesses in a difficult position. The Netherlands must balance strategic alignment with the United States and preserving economic ties with China—a critical market for semiconductor equipment. Nonetheless, this has not stopped the Netherlands from expanding its export restrictions along with the US.[66]

The return of Donald Trump to the US presidency in 2024 adds another layer of uncertainty. Trump's protectionist policies, including imposed tariffson imports and a more aggressive stance on China, are likely to amplify geopolitical pressures. A renewed focus on "America First" economic policies may strain transatlantic relations, with potential implications for Dutch and EU semiconductor firms operating in Northeast Asia. Under Trump's leadership, US demands for stricter export controls and alignment from allies has intensified, forcing the Netherlands to navigate a more polarized and competitive environment.[67]

Balancing economic interests in China with diversification efforts in Northeast Asia will remain a delicate task. China's retaliation against perceived economic coercion—such as restrictions on critical mineral exports—demonstrates its capacity to disrupt global supply chains. [68] For Dutch firms heavily reliant on Chinese markets, further escalation could result in significant economic losses and jeopardize supply chain stability. As geopolitical tensions escalate, the Netherlands and the EU must tread carefully to maintain strategic autonomy while aligning with key partners in Northeast Asia and the United States.

Internal EU Divisions on China and Industrial Policy

The situation is further complicated by divisions within the EU itself over strategy toward China and the semiconductor sector. Europe does not speak with one voice on how to balance economic interests with security concerns vis-à-vis Beijing. Several EU member states remain more dovish on China: for example, Spain, Hungary, and Slovakia have argued for deeper economic engagement with China and often resist measures that could jeopardize those ties. [69] In contrast, France, Germany, and the Netherlands urge greater caution and *"de-risking"* to avoid over-reliance on Chinese technology.[70] These fault lines have resulted in an inconsistent EU-China policy, oscillating between cooperative rhetoric and harsher policies, depending on which camp holds sway. [71] Such divergence inevitably affects semiconductor strategy. More China-friendly countries might be reluctant to fully endorse an initiative that implicitly sidelines China (like a Western-focused chip coalition), whereas hawkish countries like the Netherlands view it as necessary for security.

This split is visible in debates over export controls and industrial investments. The Netherlands' hard line on restricting exports of chip equipment to China – driven by national security assessments – has not been uniformly embraced across the EU.[72] When the

[66] Ministerie van Buitenlandse Zaken [Ministry of Foreign Affairs of the Netherlands], 'The Netherlands expands export control measure for advanced semiconductor manufacturing equipment - News item - Government.nl,"nieuwsbericht (Ministerie van Algemene Zaken, Sept. 6, 2024), https://www.government.nl/latest/news/2024/09/06/the-netherlands-expands-export-control-measure-advanced-semiconductor-manufacturing-equipment.

[67] Ignacio Garcia Bercero, Petros C. Mavroidis, and André Sapir, "How the European Union Should Respond to Trump's Tariffs," 2024 (Policy Brief 33/2024. Brussels: Bruegel.)

[68] Baskaran, and Schwartz, "China Imposes Its Most Stringent Critical Minerals Export Restrictions Yet Amidst Escalating US-China Tech War," Dec. 4, 2024

[69] Lana Pedisic, "Nascent Transatlantic Drift Muddles EU's Approach to Cooperation with China," *CEIAS* (blog), April 10, 2025, https://ceias.eu/nascent-transatlantic-drift-muddles-eus-approach-to-cooperation-with-china/.

[70] Ibid; Sujai Shivakumar, Charles Wessner, and Thomas Howell, 'A World of Chips Acts: The Future of US-EU Semiconductor Collaboration," Aug. 20, 2024, https://www.csis.org/analysis/world-chips-acts-future-us-eu-semiconductor-collaboration; Finbarr Bermingham, "Germany's New Chancellor to Pursue 'Strategic de-Risking' from China," South China Morning Post, May 15, 2025, https://www.scmp.com/news/china/diplomacy/article/3310378/germanys-new-chancellor-pursue-strategic-de-risking-china

[71] Ibid.

[72] Raquel Jorge Ricart, "Policy Orientations on EU-China Relations in Semiconductors: An Outlook on Bilateral and Multilateral Agendas," Elcano Royal Institute, Dec. 27, 2023, https://www.realinstitutoelcano.org/en/analyses/policy-orientations-on-eu-

Netherlands imposed sanctions on Chinese chip firms and curtailed ASML exports, it exposed a rift: would other EU states follow suit, or continue with business as usual? As one analysis notes, "EU Member States have different attitudes towards China's geopolitical influence," and each country's stance on issues like Taiwan can drastically shape its China policy.[73] For instance, Lithuania's diplomatic showdown with China over Taiwan in 2021 led to Chinese trade retaliation, but also spurred the EU to draft an Anti-Coercion Instrument in solidarity.[74] That episode highlighted both the disunity of the EU (a single small member taking a bold China stance while others hesitated) and the possibility of a collective EU response when one member is targeted. In the semiconductor arena, a comparable dynamic is at play: some EU members prioritize securing supply chains even at the cost of Chinese market access, while others prioritize industrial partnerships and sales in China's huge market. This lack of consensus can paralyze ambitious EU-wide moves— for example, the European Chips Act focuses on boosting capacity but sidesteps any hard line on China, reflecting compromises among differing views.

Such internal fractures may push the Netherlands to act unilaterally or in small coalitions out of frustration with slow EU progress. If The Hague perceives that EU consensus will be watered down by a lowest-common-denominator approach (due to Beijing-friendly voices), it has an incentive to bypass protracted debates and join forces directly with like-minded partners abroad. Indeed, the Netherlands' decision to coordinate export controls with the US and Japan in early 2023—in the absence of an EU mandate—illustrates this calculus.[75] Dutch leaders calculated that aligning swiftly with Washington and Tokyo on restricting China's chip access was preferable to waiting for an EU agreement that might never materialize or might be weaker. The fragmentation of EU industrial policy also plays a role. Competition for semiconductor investment among EU states is intense—Germany, France, Italy, and others each want a slice of new fabs and funds, sometimes at the expense of a united front. This undercuts the EU's collective leverage in dealing with external partners. For the Netherlands, which hosts unique semiconductor assets but is smaller in market size than other EU nations, engaging with Northeast Asia alone—or in a minilateral partnership—can amplify its influence beyond what it could achieve through EU forums where bigger economies dominate the agenda. In short, Europe's internal splits on China and chips are *both a motive and a justification* for the Netherlands to engage semi-independently. Dutch officials can argue that they are reinforcing Europe's strategic interests by taking initiative—for example, securing alliances with Japan and South Korea to ensure supply chain continuity—at a time when the EU is still sorting out its stance. Nevertheless, internal EU divisions will remain a background risk: if the Netherlands pushes too far out in front, it could face criticism from fellow EU members (especially those more dovish on China) for undermining a "united European" approach. Managing this dynamic requires careful diplomacy by the Netherlands to keep its EU partners informed and, ideally, bring them on board over time. In the most ideal scenario, Dutch success in an Asiatic chip minilateral would actually *persuade* more hesitant EU states of the benefits of de-risking, thus gradually easing the very divisions that necessitated unilateral action in the first place.

On a different note, the EU's emphasis on achieving strategic autonomy in semiconductor production—including reshoring manufacturing capabilities—could conflict with partnerships in Northeast Asia. For example, South Korea and Japan may view the EU's reshoring ambitions as a challenge to their own competitive advantage.[76] This tension highlights the need for the Netherlands and the EU to strike a balance between reinforcing domestic capabilities and fostering international collaboration. Without a coherent and unified approach, the EU risks missing opportunities to deepen engagement with Northeast Asian partners and strengthen its position in the global semiconductor value chain. Recent developments reflect progress on this front. In March 2025, the Netherlands joined eight other EU countries—including Germany, France, and Italy—to form the Semicon Coalition, an initiative focused on strengthening Europe's semiconductor production, research collaboration, and talent development.[77] Spearheaded by Dutch Economic Affairs Minister

china-relations-in-semiconductors-an-outlook-on-bilateral-and-multilateral-agendas/.

[73] Ibid.

[74] Ibid.

[75] Haeck, "How the Dutch Turned on Chinese Tech."

[76] 'The EU's Semiconductor Dilemma: What Does It Take to Regain Strategic Autonomy? – EIAS," Oct. 4, 2023, https://eias.org/publications/op-ed/the-eus-semiconductor-dilemma-what-does-it-take-to-regain-strategic-autonomy/.

[77] "European countries agree to strengthen position in semiconductor industry," nieuwsbericht, Ministerie van Algemene Zaken [Ministry of General Affairs of the Netherlands], March 12, 2025, https://www.government.nl/latest/news/2025/03/12/european-countries-agree-to-strengthen-position-in-semiconductor-industry.

Dirk Beljaarts, the coalition aims to improve policy coordination and ensure Europe can respond jointly to global semiconductor disruption.[78] While the Netherlands can also spearhead initiatives (acting as an EU policy entrepreneur) outside of the EU, ultimately it realizes a coherent EU approach will amplify the impact of such efforts. In other words, Dutch leadership in engaging East Asian partners and the US on semiconductors can be the catalyst for a later unified EU stance. At the same time, transatlantic dynamics—particularly under the renewed Trump administration—have introduced significant external uncertainties that compound these internal EU debates. As the Netherlands and the broader EU contemplate deeper engagement with Indo-Pacific partners, they must also navigate a rapidly shifting geopolitical environment shaped by renewed US protectionism and escalating export tensions.

Evolving Policy Environment under a New Trump Administration

Trump's tariff measures—particularly the blanket 10% tariff on all imports and targeted hikes on China—directly affect the feasibility of Dutch and EU engagement in minilateral semiconductor cooperation. These protectionist policies risk fragmenting global supply chains just as the Netherlands and EU seek tighter coordination with partners like Japan and South Korea. Moreover, European chipmakers could be caught in a dual bind: rising transatlantic trade frictions on one side, and retaliatory Chinese measures on the other. Trump's administration has swiftly dismantled key planks of the previous administration's international economic strategy, reshaping the context in which a Dutch/EU-Asia semiconductor minilateral would operate. Most notably, the Indo-Pacific Economic Framework (IPEF) has effectively collapsed. Trump had vowed during his campaign to scrap President Biden's flagship Asia trade initiative—branding it "TPP Two"—and indeed, on taking office he "knocked out" the IPEF negotiations.[79] By early 2025, the US had withdrawn from IPEF, leaving no overarching economic pact in the Indo-Pacific that links the US with regional partners. This removes one potential avenue through which the EU (or Netherlands) might have engaged Asia multilaterally, but it also creates a vacuum that smaller, focused agreements can fill. With Washington no longer pursuing broad regional trade deals, it is turning instead to bilateral and minilateral arrangements in specific sectors – and semiconductors are at the top of that list.

Simultaneously, the new US administration has embarked on an aggressively protectionist, "America First" trade agenda that raises the stakes for allies. President Trump wasted little time in imposing sweeping tariffs: shortly after inauguration, he announced a universal import tariff of 10%, and within weeks, he had layered additional tariffs specifically targeting China.[80] By March 2025, the US had hiked tariffs on virtually all Chinese goods to unprecedented levels (reportedly 60% on average) and even threatened hefty duties on key European exports, including a 25% tariff reimposed on EU steel and aluminum, and consideration of broad 20% tariffs on other EU imports.[81] Although some of these measures were temporarily paused in April amid transatlantic negotiations, the message was clear: Trump is willing to leverage tariffs against allies to secure trade concessions and stricter alignment on China. European policymakers now face the dual challenge of avoiding a trade war with the US while also not appearing weak on China. According to studies from the London School of Economics and Squire Patton Boggs, Trump's proposed tariffs could create ripple effects across European economies, increasing costs and complicating existing trade relationships.[82] While these measures aim to stimulate domestic production, they risk redirecting Chinese exports to Europe, potentially flooding European markets with cheaper alternatives and intensifying competition for European firms.[83]

This coercive strategy directly affects East Asia as well. A new 25% tariff on Japanese and South Korean exports is set to take effect on August 1, 2025, unless bilateral trade terms are renegotiated to

[78] Ibid.
[79] Nathan Layne, "Trump Vows to Kill Asia Trade Deal Being Pursued by Biden If Elected," Reuters, Nov. 19, 2023, sec. United States, https://www.reuters.com/world/us/trump-vows-kill-asia-trade-deal-being-pursued-by-biden-if-elected-2023-11-19/.
[80] Pedisic, "Nascent Transatlantic Drift Muddles EU's Approach to Cooperation with China."
[81] Ibid; "Harris vs. Trump Indo-Pacific Policies Summary," Elections24 (The Asia Group, Oct. 22, 2024): 2, https://theasiagroup.com/wp-content/uploads/2024/10/WEB-10.22.24-Harris-vs.-Trump-Compendium.pdf#:~:text=resiliency,driven%2C%20and%20transactional.
[82] 'The Economic Impacts of Trump's Tariff Proposals on Europe," Grantham Research Institute on climate change and the environment, 2024, accessed Dec. 22, 2024, https://www.lse.ac.uk/granthaminstitute/publication/the-economic-impacts-of-trumps-tariff-proposals-on-europe/; Squire Patton Boggs, *EU Trade Implications of Trump's Election*, November 2024, https://www.squirepattonboggs.com/en/insights/publications/2024/11/eu-trade-implications-of-trumps-election.
[83] Brattberg, and Le Corre, 'The Case for Transatlantic Cooperation in the Indo-Pacific,"2019.

Washington's satisfaction.[84] These threats have created intense pressure on Tokyo and Seoul, catalyzing rapid alignment on supply chain security and export controls. For the Netherlands, this scenario offers both a warning and a strategic opening: early alignment with US semiconductor goals—particularly in coordination with Japan and South Korea—could shield Dutch industry from similar trade pressure while elevating its role as a key contributor to a US-anchored, resilient chip ecosystem. Closer alignment with the US could subsequently open strategic space for proactive deals by US allies like the Netherlands. Trump's approach is highly transactional; he has signaled he will cut bespoke deals with partners who support his goals, while punishing those who do not. For example, analysts anticipate he will pressure allies like Germany to harden their China tech policies by threatening export controls or tariffs on them.[85] In this climate, the Netherlands could achieve tangible benefits by positioning itself as a like-minded partner to Washington's tech "de-coupling" agenda. By doubling down on the US-led export control regime and partnering with Japan and South Korea to build non-Chinese supply chains, the Netherlands may be able to *avoid punitive tariffs* that could hit more ambivalent EU countries. In essence, close Dutch adherence to US "de-risking" (or outright decoupling) policies on semiconductors might grant it a degree of immunity from Trump's trade backlash against the EU, as the US would see the Netherlands as part of the solution, not the problem. However, a caveat: if the Netherlands aligns very closely with a US decoupling agenda, betraying its commitment to a unified European approach in the longer run, it could face pushback from other EU members that favor a more moderate approach to China. This might complicate Dutch efforts to keep leading a unified EU semiconductor strategy, as some partners may question its balance between US allegiance and European interests.

Moreover, with IPEF gone and US-Asia economic ties now handled in ad-hoc ways, Asian allies are also seeking new partnerships to fill the void. Japan and South Korea, concerned about US market protectionism and the lack of a multilateral trade framework, have an incentive to deepen ties with other advanced economies that share their predicament. This could make them even more receptive to European partners. We might see, for instance, Japan and South Korea looking to the EU or its member states for bilateral trade or tech agreements to hedge against US unpredictability. The Netherlands, by actively engaging with Tokyo and Seoul, stands to benefit from this realignment. There is an opportunity for EU countries to carve out mini-deals with the US and Asia in areas like semiconductors, in lieu of a broad trade pact. We can envision the Netherlands negotiating a tailored agreement with Washington on semiconductor collaboration—perhaps an accord on reciprocal R&D investment or preferential market access for each other's chip firms – which would solidify the Netherlands' role in the US-led tech ecosystem. Similarly, The Hague might broker trilateral arrangements with the US and Japan (or Korea) to coordinate subsidy programs or talent exchanges in the chip sector, outside of any formal WTO context. Such deals would have been less likely if the US were focused on a large multilateral like IPEF, but under Trump's bilateral approach they become not only possible but essential.

For the Netherlands and the EU, Trump's policies present a delicate but potentially advantageous scenario. They must navigate Trump's harsher trade regime by demonstrating alignment in critical areas like semiconductors. The Netherlands is arguably well placed to do so: it has already "chosen Washington's side" on the tech security debate, and it possesses leverage in the form of ASML's indispensable technology.[86] By volunteering that leverage in support of the US-Japan-South Korea alliance (i.e., contributing its tech to the coalition and denying it to China), the Netherlands can bolster the Western bloc's supply chain while also shoring up goodwill in Washington. In return, it may be shielded from the worst of US tariffs, and it could seek out *new US chip investments* (for instance, an American chip fab or research center in the Netherlands as part of "friend-shoring"). Likewise, South Korea and Japan might welcome the EU's involvement, as it could add weight against US protectionism—a united front of Asian and European tech allies might dissuade Washington from undertaking measures that harm

[84] Josh Boak, "Trump Sets 25% Tariffs on Japan and South Korea, and New Import Taxes on 12 Other Nations," AP News, July 7, 2025, https://apnews.com/article/trump-japan-south-korea-tariff-25-2c725e8f06367e20f9300c1081ea4ec0.

[85] Laura von Daniels, Claudia Major, and Nicolai von Ondarza, eds., "How Europe Is Preparing for Trump II: European Perspectives on Potential Consequences and the Policy Areas Most Affected," *Working Paper Research Division the Americas, International Security and EU/Europe*, no. 01/2024 (March 2024): 14.

[86] Haeck, "How the Dutch Turned on Chinese Tech."

its own alliance network. By demonstrating a firm commitment to limiting China's access to advanced semiconductor technologies—through aligned export controls, screening of outbound investment, or support for secure supply chains—the Netherlands and in turn the EU signal their strategic convergence with US goals. This builds trust with Washington and reassures US policymakers that Dutch or EU participation in a minilateral agreement would reinforce, rather than dilute, collective efforts to constrain China's technological rise. In this context, the US is more likely to proactively include the Netherlands or the EU in sensitive semiconductor pacts, knowing they will uphold—rather than undermine—joint restrictions and contribute complementary capabilities in lithography and precision tools. In summary, though Trump's presidency raises risks of transatlantic economic friction, it may ironically accelerate the formation of a robust semiconductor minilateral.

These dynamics were visibly on display during the July 2025 NATO summit in The Hague. The summit was widely regarded as a diplomatic success for Trump,` and Dutch officials—particularly outgoing NATO Secretary General Mark Rutte—were seen actively courting Trump's favor. Rutte's positioning illustrates the broader Dutch calculus: hedging against volatility in US foreign policy by aligning visibly with the likely direction of Washington's industrial and security strategy. The final communiqué between NATO and its four Indo-Pacific partners reinforced this trajectory, committing to deeper collaboration on defense innovation, industrial capacity, and emerging technologies—including space, maritime, and dual-use tech—with clear emphasis on shared supply chain security and interoperable standards, which will likely include critical sectors like semiconductors and AI. [87] Simultaneously, Dutch Defense Minister Ruben Brekelmans used his June 2025 Shangri-La Dialogue speech to stress that Europe's security is "closely intertwined with that of the Indo-Pacific," highlighting threats such as sabotage of undersea infrastructure, economic coercion, and the uncontrolled use of AI weaponry. He emphasized Dutch commitment to Indo-Pacific maritime partnerships and warned against naiveté in a world where disarmament is no longer rewarded. [88] Together, these developments reinforce the impression that The Hague will continue to prioritize relevance in a Trump-led international order by doubling down on strategic semiconductor cooperation—even if it entails quiet concessions to America's more transactional demands. The urgent desire to avoid US tariffs and to maintain supply chains among friends will push countries like the Netherlands to integrate even more tightly with the US-Japan-South Korea framework. This reinforces the logic of Dutch inclusion in the Indo-Pacific semiconductor coalition—alignment with the US "de-coupling" strategy could serve as a means of *self-defense* against trade penalties. It is a narrow path to walk, but if managed astutely, Dutch engagement in a quadrilateral semiconductor arrangement could help insulate it from Trump-era turbulence and embed the Netherlands as a key player in the West's technology alliance for years to come.

Technological and Economic Barriers

Beyond political hurdles, the high costs associated with relocating semiconductor supply chains and developing advanced manufacturing infrastructure present significant economic challenges for both the Netherlands and the EU. Semiconductor production is an inherently capital-intensive process, requiring substantial investments in research, equipment, and skilled labor. While the European Chips Act allocates €43 billion to support these efforts, achieving technological parity with leading players in Northeast Asia remains a formidable task.

Workforce shortages further compound these challenges. The semiconductor industry requires a highly skilled labor force, including engineers, researchers, and technicians capable of operating advanced manufacturing equipment. Both Japan and South Korea have identified workforce development as a key priority, with initiatives aimed at attracting and retaining international talent. [89] For the Netherlands and the EU, addressing workforce gaps through education, training programs, and talent exchange initiatives will be essential to remaining competitive in the global semiconductor market.

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[87] "Statement between NATO Secretary General and the Four Indo-Pacific Partners in the Context of the NATO Summit in The Hague," NATO, June 25, 2025, https://www.nato.int/cps/en/natohq/official_texts_236714.htm.

[88] "Veiligheid Europa en Indo-Pacific onlosmakelijk verbonden." [Security of Europe and Indo-Pacific inextricably linked.], Ministerie van Defensie [Ministry of Defense of The Nethelands], June 2, 2025, https://www.defensie.nl/actueel/nieuws/2025/06/02/veiligheid-europa-en-indo-pacific-onlosmakelijk-verbonden.

[89] Yun Jin-ho, and Kim Seo-young, 'Semiconductor Workforce Shortage Hits S. Korea, US, Japan," *The Chosun Daily*, Aug. 14, 2024, https://www.chosun.com/english/industry-en/2024/08/14/KCYQNIOR2NFKDC5CTS5NNXUPIU/.

Additionally, the rapid pace of technological advancement in the semiconductor industry poses economic risks for countries seeking to enter or expand their role in the supply chain. Companies must continually invest in innovation to keep up with evolving demand for smaller, faster, and more efficient chips. The Netherlands, while a global leader in semiconductor equipment manufacturing, must maintain its technological edge through sustained investments in research and development. Failure to do so could erode its competitive advantage and limit its ability to engage effectively with partners in Northeast Asia. All of this unfolds amid an even larger geopolitical uncertainty: the Taiwan contingency.

The Netherlands and the EU: High Stakes in Taiwan for Semiconductor Economic Security

Taiwan's pivotal role in global semiconductor manufacturing places it at the epicenter of economic and geopolitical tensions, with significant implications for both the Netherlands and the EU. As a global leader in advanced semiconductor production, Taiwan's stability is critical to the smooth functioning of European industries reliant on cutting-edge technologies. Taiwan is thus central to the economic security discussion: any crisis in the Taiwan Strait would profoundly disrupt semiconductor supplies worldwide. This risk is a driving force behind Dutch/EU interest in collaborating with the US–Japan–ROK framework—to help safeguard supply chain stability against such a scenario. This chapter examines the stakes involved for Dutch and EU economic security, particularly in the context of a potential Taiwan crisis.

Taiwan's Dominance in Semiconductor Manufacturing

Taiwan holds an outsized role in the global semiconductor industry, producing 92% of advanced logic chips under 10 nanometers and 36% of trailing-edge and mature logic chips. Taiwanese companies, particularly Taiwan Semiconductor Manufacturing Company (TSMC), supply critical components to industries such as automotive, defense, and ICT. For the Netherlands, the stakes of Taiwan's security are exceptionally high. Companies like ASML derive a significant portion of their revenue from East Asia, with Taiwan accounting for 38% of ASML's sales in 2022.[90] This highlights how Dutch semiconductor leadership and Taiwan's manufacturing dominance are interconnected, making geopolitical stability in Taiwan a matter of economic security for the Netherlands.

Economic Risks of a Taiwan Conflict

A Taiwan Strait conflict would severely disrupt global semiconductor supply chains, with consequences felt acutely in the EU. The Dutch and European economies are particularly vulnerable to a semiconductor shortage, as chips underpin critical industries such as healthcare, automotive, and defense. Research by Bloomberg Economics estimates that a year-long conflict could reduce global GDP by 10.2%, double the economic impact of the 2008 financial crisis, and result in $2 trillion in lost production globally.[91] This would jeopardize not only production lines but also the technological progress of industries dependent on high-performance semiconductors.

The healthcare industry, for example, relies heavily on trailing-edge chips for medical devices like pacemakers and imaging equipment. Any disruption would risk severe supply shortages, impacting patient care across Europe.[92] Similarly, the automotive sector's reliance on advanced chips for electric vehicle (EV) production and smart grid integration would face significant setbacks, undermining the EU's green energy transition. These risks underscore the critical importance of ensuring semiconductor supply chain resilience in the face of geopolitical instability in Taiwan.

Strategic Maritime Trade Vulnerabilities

Beyond semiconductor production, the Taiwan Strait represents a chokepoint for global trade, with 31% of global shipping passing through its lanes. A blockade or conflict in the region would increase shipping costs, reroute supply chains, and delay semiconductor imports crucial to European industries. Such disruptions could have far-reaching implications for Dutch firms like NXP and ASML, whose operations depend on the timely movement of

[90] Teer, Ellison, and Ruijter, "The Cost of Conflict," 2024, 21.

[91] Jennifer Welch, Jenny Leonard, Maeva Cousin, Gerard DiPippo, and Tom Orlik, "Xi, Biden and the $10 Trillion Cost of War Over Taiwan," *Bloomberg Economics*, Jan. 9, 2024, https://www.bloomberg.com/news/features/2024-01-09/if-china-invades-taiwan-it-would-cost-world-economy-10-trillion.

[92] MedTech Europe. 'Global Semiconductor Shortage Need for Prioritisation of Healthcare Capabilities," 2022. https://www.medtecheurope.org/resource-library/global-semiconductor-shortage-need-for-prioritisation-of-healthcare-capabilities/.

raw materials and finished products.[93] Addressing these vulnerabilities is essential to safeguarding Europe's economic stability.

The Netherlands and the EU face significant stakes concerning Taiwan's stability due to its centrality in the global semiconductor supply chain. A proactive approach focused on supply chain diversification, economic deterrence, and strategic investments is essential to mitigating the risks associated with potential geopolitical disruptions. By addressing these vulnerabilities, the Netherlands can protect its economic interests and contribute to a more resilient European semiconductor ecosystem.

Recommendations

To address workforce shortages, geopolitical friction, and vulnerabilities in global supply chains, the Netherlands and the EU must adopt a balanced and strategic approach—one that strengthens domestic semiconductor capabilities while deepening cooperation with trusted partners in Northeast Asia. The constraints and risks identified in this paper, including geopolitical tensions and workforce shortages, underscore the urgent need for strategic interventions. The following recommendations aim to address these challenges comprehensively.

Policy Recommendations for the Netherlands

The Netherlands must enhance its bilateral partnerships with Japan and South Korea to solidify its position in the global semiconductor supply chain and contribute to broader economic security goals. Specific mechanisms to operationalize these partnerships could include co-funded R&D projects, such as joint initiatives on next-generation photonics or energy-efficient semiconductor designs. Additionally, shared infrastructure investments, like collaborative semiconductor testing facilities or advanced research hubs, could yield mutual benefits. As a global leader in advanced semiconductor technologies, particularly through ASML's EUV lithography tools, the Netherlands holds a unique advantage that can be leveraged for deeper collaboration. Strengthening bilateral ties in critical semiconductor technologies will allow Dutch firms to expand market access and foster innovation in collaboration with their Japanese and South Korean counterparts.

Collaboration should prioritize joint research and development initiatives, which can address shared challenges such as the development of next-generation chips, photonics, and energy-efficient technologies. Existing frameworks, such as the South Korea-Netherlands tech alliance, provide a foundation for deepening these ties, particularly through talent exchange programs. South Korea's proactive strategy to attract international talent aligns well with Dutch expertise in advanced manufacturing equipment, creating mutual opportunities for education, training, and workforce development. By promoting joint academic programs and skill exchanges with South Korea, the Netherlands can help address the global semiconductor talent shortage while enhancing its own innovation capacity. Initiatives such as joint research projects, student and faculty exchanges, and collaborative degree programs in semiconductor technologies would facilitate knowledge transfer and foster a skilled workforce adept in cutting-edge developments. Integrating these bilateral efforts with EU-level initiatives, like the EU-South Korea Digital Partnership, can amplify their impact by aligning objectives, pooling resources, and ensuring coherence across broader strategic goals. This alignment would not only strengthen the semiconductor industries of both nations but also contribute to the EU's overarching aim of achieving technological resilience and autonomy.

The Netherlands has already laid substantial groundwork for its involvement in semiconductor diplomacy in Northeast Asia. Its bilateral partnerships with South Korea and Japan have expanded in recent years. In December 2023, Dutch Prime Minister Mark Rutte and South Korean President Yoon Suk Yeol announced a "semiconductor alliance" focused on supply chain resilience and energy-efficient lithography technologies.[94] This partnership was further bolstered by ASML's planned $761 million research facility in South Korea, demonstrating the Netherlands' commitment to fostering mutual technological advancements and addressing supply chain vulnerabilities.[95] Additionally, NXP, a leading Dutch chipmaker, has partnered with South Korea's

[93] Teer, Ellison, and Ruijter, "The Cost of Conflict," 2024, 23.
[94] 'Korea, Netherlands Form Chip Alliance for Supply Chain Resilience," *The Korea Times*, Dec. 13, 2023, https://www.koreatimes.co.kr/www/nation/2023/12/120_365081.html.
[95] Elizabeth Montalbano, 'Samsung, ASML's $761M Facility to Aid Logic, Memory Chip Innovation,"Network World, Dec. 13, 2023, https://www.networkworld.com/article/1258652/samsung-asmls-761m-facility-to-aid-logic-memory-chip-innovation.html.

bitsensing to develop advanced radar systems for automotive applications, further exemplifying the Netherlands' role in fostering innovation in the semiconductor sector.[96]

In addition, the Netherlands' alignment with US-led semiconductor export controls has cemented its role in the broader geopolitical landscape. The 2023 agreement between the Netherlands, Japan, and the United States to limit advanced semiconductor technology exports to China exemplifies this alignment. By restricting access to sensitive technologies, the Netherlands has contributed to efforts to counterbalance China's growing technological ambitions. Furthermore, the Dutch government's recently tightened export controls on ASML equipment demonstrate its commitment to secure global supply chains in line with US interests. Therefore, its substantial relations and overlap in interests could make it a welcome addition to US-Japan-South Korea cooperation in this domain.

Quadrilateral Engagement in Northeast Asia's Semiconductor Minilateral

The Netherlands has increasingly asserted itself as a significant player in the global semiconductor industry, driven by its technological leadership and strategic partnerships. This technological strength not only reinforces its economic standing but also opens avenues for strategic engagement in Asia, where semiconductor production is increasingly central to economic and geopolitical strategies. Given the trilateral cooperation among the United States, Japan, and South Korea, a Dutch role in a broader "quadrilateral" framework is a logical and advantageous next step. This chapter explores the rationale, feasibility, and potential pathways for the Netherlands to engage in such a quadrilateral alliance.

The rationale for Dutch participation in a quadrilateral framework stems from its complementary role in the global semiconductor supply chain. The existing trilateral framework—comprising the US in chip design, Japan in semiconductor materials, and South Korea in memory chip production—does not directly encompass the critical lithography technologies provided by ASML. Including the Netherlands in this framework would address this gap, creating a more comprehensive and resilient semiconductor supply chain security framework that is less susceptible to regional geopolitical disruptions due to its transregional nature.

Another key concern for supply chain security is the need to mitigate geoeconomic risks arising from China's "dual circulation" strategy and its retaliatory measures, including critical mineral export restrictions. Dutch participation in the quadrilateral framework would enhance allied efforts to diversify production and supply routes, safeguarding the semiconductor ecosystem from geopolitical shocks.

Alignment with US-led strategies is also an important consideration. The Netherlands' agreement with US export controls on semiconductor technologies demonstrates its willingness to align with allied security frameworks. This alignment strengthens transatlantic ties and underscores the Netherlands' commitment to maintaining secure and trusted supply chains in the Indo-Pacific region.

Furthermore, Taiwan's stability is central to the global semiconductor supply chain, and its potential disruption would have far-reaching implications for all major players in the industry. The Netherlands is uniquely positioned to contribute to supply chain diversification efforts that mitigate these risks. Including the Netherlands in the Japan-US-South Korea trilateral framework would enhance collective resilience by bridging critical gaps in production capabilities, particularly in the advanced lithography technologies essential for high-performance semiconductors. Dutch inclusion would also reinforce the trilateral framework's ability to address the geopolitical vulnerabilities posed by Taiwan's strategic significance, ensuring the robustness of global supply chains while advancing shared economic security goals.

Lastly, Dutch participation offers significant economic and technological opportunities. By joining the quadrilateral framework, the Netherlands could gain expanded access to Asian markets and joint R&D initiatives in emerging fields, such as AI and quantum computing. This collaboration would not only enhance technological innovation but also bolster the global semiconductor ecosystem.

[96] 'Dutch Chipmaker NXP and South Korea's Bitsensing in Radar Deal," *Reuters*, Dec. 16, 2024, sec. Technology, https://www.reuters.com/technology/dutch-chipmaker-nxp-south-koreas-bitsensing-radar-deal-2024-12-16/.

Challenges and Opportunities

Despite the benefits of a quadrilateral framework, the Netherlands would face several challenges in integrating into such an initiative. One challenge is the Netherlands' economic dependency on China, which complicates full alignment with US-led strategies to curtail China's technological progress. For instance, China remains a key market for Dutch semiconductor exports, accounting for nearly half of ASML's sales in 2024.[97] Similar dependencies have impacted other industries, such as renewable energy, where European reliance on Chinese solar panel components has slowed EU diversification efforts. These examples underscore how economic entanglements with China can create obstacles to strategic realignment within multilateral frameworks.

Labor and talent shortages in the semiconductor industry represent another pressing issue. Both the Netherlands and South Korea face significant workforce challenges, particularly in attracting skilled professionals to sustain their semiconductor sectors. Expanding educational and workforce exchange programs could address this issue, but such initiatives require substantial political and logistical coordination.

Nevertheless, there are considerable opportunities for the Netherlands to leverage. By participating in the quadrilateral framework, the Netherlands could position itself as a leader in EU-Indo-Pacific engagement. Its technological contributions could act as a model for broader European involvement in the region. Moreover, integration of Dutch lithography technologies with Asian semiconductor advancements would solidify the region's technological leadership and create a robust platform for addressing global challenges such as climate change and cybersecurity.

Pathways to Dutch Inclusion

The Netherlands should pursue several strategic pathways to ensure its inclusion in a quadrilateral framework. First, aligning its policies with those of the United States, Japan, and South Korea will be critical. This involves leveraging its technological assets, particularly ASML's EUV machines, as a key bargaining chip in negotiations. The Netherlands must solidify its position as an indispensable player within the global semiconductor ecosystem. By maintaining dominance in this critical sector, the Netherlands can enhance its bargaining power in global negotiations. This strategic indispensability ensures the country's long-term economic security while reinforcing Europe's technological sovereignty.[98]

Bilateral initiatives with Japan and South Korea also serve as essential building blocks. Strengthening partnerships through joint ventures and collaborative research projects can deepen trust and pave the way for multilateral engagement.
In addition, the Netherlands must support EU-led initiatives in the semiconductor space while safeguarding its own specific strengths. For example, Dutch policymakers should ensure that ASML's competitive position in advanced lithography tools remains protected under the European Chips Act. This will require a careful balance between aligning with EU objectives for strategic autonomy and pursuing independent bilateral opportunities in Northeast Asia. By preserving its unique role in the semiconductor ecosystem, the Netherlands can contribute to collective European goals while securing its economic interests.

Additionally, the Netherlands can leverage the EU's Indo-Pacific strategy to position itself as a bridge between Europe and Northeast Asia. This approach not only aligns with EU policy objectives but also reinforces the Netherlands' role as a critical player in global semiconductor diplomacy.

The Netherlands could also integrate into the Trilateral Technology Leaders Training Program (TTLT) by leveraging its world-class academic and research institutions, such as Delft University of Technology and Eindhoven University of Technology, and its industrial expertise in advanced semiconductor manufacturing. The TTLT program, which currently focuses on developing high-tech talent across Japan, South Korea, and the United States, could benefit from Dutch participation through joint initiatives like exchange programs, specialized semiconductor-focused curricula, and training facilities tailored to advanced lithography technologies. By aligning with EU-level frameworks such as Erasmus+ or Horizon Europe, the

[97] Ryan Browne, 'ASML Just Gave Us a First Glimpse into How US Chip Export Curbs Will Dent Its China Sales," CNBC, Oct. 16, 2024, https://www.cnbc.com/2024/10/16/asml-2025-outlook-shows-us-chip-export-curbs-impacting-china-sales.html.
[98] Ibid. 33.

Netherlands could amplify the TTLT program's reach, promoting multilateral collaboration and creating a transatlantic-Indo-Pacific bridge for talent development. Finally, expanding public-private partnerships between Dutch firms and their counterparts in Japan and South Korea would foster technological synergies and reduce dependency on contentious markets like China.

EU-Level Strategies

At the EU level, greater alignment between the European Chips Act and emerging minilateral opportunities in Northeast Asia will be essential. The Chips Act's emphasis on strengthening Europe's semiconductor capacity provides a strategic framework for engagement, but it must be implemented in a way that complements existing global partnerships rather than creating competitive tensions. Aligning the Chips Act with Northeast Asian frameworks could provide tangible benefits, such as facilitating access to advanced materials like high-purity silicon from Japan and reducing regulatory bottlenecks through harmonized standards on semiconductor manufacturing. The EU can align its objectives with the Japan-US-South Korea trilateral framework by participating in initiatives focused on supply chain resilience, technology standardization, and research collaboration.

To address the broader US-China technological rivalry, the EU must facilitate a joint approach that balances strategic alignment with the United States while safeguarding European economic interests. The EU must work within multilateral frameworks, such as the G7, to coordinate policies on export controls and address economic coercion. Recent G7 commitments to counter China's economic influence and secure critical supply chains align with European interests and provide an opportunity for joint action. By working collaboratively with Japan, South Korea, and the United States, the EU can reinforce global semiconductor resilience while navigating the complexities of US-China competition.[99] While the Netherlands may align more closely with US strategic goals already—particularly on export controls and technological containment—the EU as a whole should at least in the short term maintain a more flexible posture toward China. This dual-track approach allows the Netherlands to reinforce its transatlantic credibility and secure participation in sensitive minilateral semiconductor arrangements, while also enabling the EU to manage internal divisions and preserve strategic autonomy. In this configuration, Dutch leadership can serve as a conduit between US-led initiatives and a more measured EU position.To mitigate the significant risks posed by potential disruptions in global semiconductor supply chains, the EU must adopt a series of proactive strategies aimed at ensuring resilience and security in the semiconductor ecosystem. The EU Chips Act provides a robust framework for increasing domestic semiconductor production capacity and reducing external dependencies. However, this framework should also prioritize the establishment and strengthening of partnerships with trusted allies, such as Japan and South Korea. These partnerships can serve as alternative production hubs in the event of a Taiwan crisis, ensuring that global supply chains remain functional and resilient to geopolitical disruptions.[100] The EU must collaborate with the United States and other key allies to communicate the severe economic consequences of a Taiwan conflict to China. This involves leveraging coordinated sanctions and making strategic investments in semiconductor research and development. Such measures would not only reduce reliance on Taiwan but also signal the cost of geopolitical aggression, thereby acting as a deterrent to conflict escalation in the region.[101]

EU Reluctance vs. Dutch Minilateral Activism

A notable obstacle to this vision is the mismatch between EU-wide and Dutch national approaches to such minilateral engagements. The EU as an institution has traditionally been wary of exclusive "minilateral" arrangements, preferring to act via inclusive multilateral frameworks or as a unified EU bloc. Brussels tends to emphasize coherence and consensus – for example, when the Netherlands struck a deal with the US and Japan in 2023 to restrict chip exports to China, the European Commission quickly urged a "stronger EU role to ensure coherence in our policies."[102] This reflects Brussels' concern that ad-hoc alliances by member states could fragment EU strategy. Indeed, the EU's own Indo-Pacific outlook stresses partnerships that include the EU as a whole, rather than members joining small,

[99] Brattberg, and Le Corre. The Case for Transatlantic Cooperation in the Indo-Pacific. 2019.
[100] Teer, Ellison, and Ruijter, 'The Cost of Conflict," 2024, 26.
[101] Ibid. 30.
[102] Peter Haeck, "How the Dutch Turned on Chinese Tech," POLITICO, March 9, 2023, https://www.politico.eu/article/chips-netherlands-mark-rutte-china/.

US-led coalitions. EU reluctance toward minilaterals is partly ideological—a commitment to multilateralism—and partly practical, as such arrangements can sideline the EU's common trade and tech policies.

In contrast, the Netherlands' current government has shown an unprecedented willingness to pursue bilateral or minilateral initiatives, even if it means stepping outside the typical EU umbrella. The Dutch stance on China and tech has shifted markedly in recent years, especially under its emerging national-conservative leadership. Whereas the Netherlands was once "one of the most ardent EU defenders of free trade" with China, it has pivoted to a more hawkish, Washington-aligned posture.[103] The Dutch coalition that formed after the November 2023 elections—which includes right-wing and sovereigntist elements—signaled a readiness to assert national interests in foreign and trade policy, sometimes at odds with Brussels. All major parties in that coalition campaigned on reclaiming autonomy in areas like immigration even if it meant opting out of certain EU agreements, reflecting a broader skepticism toward EU constraints.[104] As Meijer and Sterling noted, a government under this coalition is likely to be "less friendly to the EU" in foreign policy matters—a forecast that has largely held true..[105] This political climate strengthened Dutch willingness to engage in flexible arrangements with select partners. For instance, The Hague has openly aligned with the US export controls on semiconductors without waiting for an EU consensus, effectively prioritizing a minilateral (U.S-Japan-Netherlands) approach to tech security.[106]

However, this new right-wing coalition proved short-lived. In June 2025, Geert Wilders abruptly pulled the PVV out of the cabinet over an asylum policy dispute, causing the government to collapse.[107] Prime Minister Dick Schoof stepped down and now leads a caretaker administration pending new elections.[108] In the immediate term, this turmoil limits the Netherlands' capacity for bold new initiatives in Indo-Pacific semiconductor cooperation—a caretaker government is unlikely to launch fresh partnerships. Moreover, the episode underscores the fragility of Dutch foreign-policy assertiveness when dependent on far-right support. Notably, Dutch industry leaders like ASML had already warned that the post-2023 political turn toward xenophobia was undermining the country's climate for innovation.[109] PVV's exit from power may relieve some pressure on pro-internationalization policies (for instance, further migration curbs may stall), but uncertainty reigns until a new coalition emerges after the October 29 elections. The Netherlands' appetite for minilateral Indo-Pacific engagement could be on hold in this interregnum, as political energy is diverted inward to restoring a "reliable government."[110] On the other hand, a more centrist or moderate next cabinet might re-embrace a globally oriented stance—an important consideration for Dutch strategy in the semiconductor sector.

Moreover, the contradiction between EU caution and Dutch assertiveness could impact the feasibility of Dutch engagement in an Asian minilateral. On one hand, the Dutch government is politically inclined to join a semiconductor "quad" with the US, Japan, and South Korea, seeing it as serves Dutch strategic and economic interests. The current leadership's national-conservative outlook provides the political will to pursue such cooperation robustly and even accept the geopolitical risks of angering China, as evidenced by the Netherlands' tightening of ASML export rules in alignment with Washington. On the other hand, the EU's institutional framework might struggle to accommodate close Dutch alignment with the US. If the Netherlands formally joins a US-led chip alliance, it could raise questions in Brussels about unity and mandate—for example, whether such external commitments align with the EU's common commercial policy or the European Chips Act objectives. There is a risk of policy incoherence if one of the EU's key members is part of a semiconductor pact that the EU as a whole isn't signed onto. European commissioners have already warned against unilateral moves in tech policy, preferring an EU-wide strategy.[111] Thus, Dutch policymakers need

[103] Ibid.
[104] Bart Meijer and Toby Sterling, "Tough Coalition Talks Ahead after Far Right's Dutch Election Win," Reuters, Nov. 22, 2023, sec. Europe, https://www.reuters.com/world/europe/tough-coalition-talks-ahead-after-far-rights-dutch-election-win-2023-11-22/.
[105] Ibid.
[106] Haeck, "How the Dutch Turned on Chinese Tech."
[107] Tom Ambrose et al., "Dutch Prime Minister Dick Schoof Steps down after Geert Wilders Quits Government – as It Happened," World News, *The Guardian*, June 3, 2025, https://www.theguardian.com/world/live/2025/jun/03/europe-live-dutch-netherlands-far-right-leader-geert-wilders-quits-ukraine-russia-poland.
[108] Ibid.
[109] April Roach and Cagan Koc, "Dutch Giant ASML Warns Against Labor Curbs After Far-Right Win," *Bloomberg.Com*, November 23, 2023, https://www.bloomberg.com/news/articles/2023-11-23/asml-calls-for-reliable-consistent-dutch-government-after-vote.
[110] Ibid.
[111] Haeck, "How the Dutch Turned on Chinese Tech."

to manage this delicate balance, perhaps by consulting with EU partners and framing any quadrilateral involvement as complementary to EU initiatives, rather than a divergent path. However, framing alone may not suffice to reassure more skeptical EU member states. To ensure broader acceptance, the Netherlands will need to back up its diplomatic messaging with concrete engagement—such as consultations through EU forums and alignment with shared EU objectives—to demonstrate that its minilateral activities support, rather than circumvent, collective European strategy. The Dutch government's challenge is to ensure its minilateral forays (bilateral deals, trilaterals, etc.) *reinforce* Europe's broader strategy instead of undermining it. Notably, Dutch officials have tried to assuage EU concerns by insisting that moves like the ASML export restrictions were taken *"on its own terms"* but in pursuit of shared security goals.[112] Still, the tension between a nimble national strategy and the EU's consensus-driven approach will persist. This could constrain how far or fast the Netherlands can go in a minilateral semiconductor alliance. Although the Netherlands may proceed with a minilateral partnership, it must keep one eye on Brussels to maintain European solidarity.

Conclusion

The global semiconductor industry stands at the nexus of economic security, technological innovation, and geopolitical rivalry, with the Netherlands and the EU uniquely positioned to play a pivotal role in its future. This paper has demonstrated how Dutch technological leadership complements the broader European ambition of achieving semiconductor autonomy while aligning with Northeast Asian partnerships. Although the EU as an institution has been cautious about minilateral engagement, the Netherlands' leadership—especially through its ASML-centered industrial edge—offers a blueprint for broader European participation. A successful Dutch engagement could prompt other EU countries to join the Netherlands in a larger EU–Asia chip alliance. By engaging actively in multilateral and minilateral frameworks, the Netherlands and the EU can address key challenges and seize critical opportunities in the evolving geopolitical landscape.

Taiwan's centrality to global semiconductor production underscores the urgency of securing resilient supply chains. The Netherlands must leverage its technological indispensability to advocate for diversified production hubs and ensure its own economic security in the face of potential disruptions in the Taiwan Strait. This imperative aligns with the broader rationale for Dutch participation in a quadrilateral framework alongside the United States, Japan, and South Korea, where the Netherlands can fill critical gaps in lithography and advanced chip production.

To mitigate geopolitical risks posed by US-China competition, the EU must balance strategic alignment with the United States while advancing cooperation in the Indo-Pacific and managing the risks of economic retaliation from China.. The Netherlands, as a trusted intermediary, is well-positioned to navigate this delicate balance by fostering cooperation through established multilateral platforms and leveraging its bilateral relationships with Japan and South Korea. These partnerships can amplify Dutch and European influence in setting global semiconductor standards and norms.

Addressing workforce shortages represents both a challenge and an opportunity for collaborative innovation. By prioritizing joint education and training programs with Northeast Asian partners, the Netherlands can strengthen its high-tech labor force while contributing to global efforts to address talent gaps in the semiconductor industry.

The Netherlands' inclusion in a quadrilateral framework with the United States, Japan, and South Korea offers a unique opportunity to enhance the resilience and innovation of global semiconductor supply chains. By aligning with allied economic and security interests, addressing workforce challenges, and leveraging its technological strengths, the Netherlands can position itself as a pivotal player in the Indo-Pacific's evolving geopolitical and economic landscape. Such participation would not only amplify its strategic influence but also ensure the stability and prosperity of the global semiconductor ecosystem.

The strategic rationale for Dutch and EU engagement is clear: fostering economic resilience, technological innovation, and geopolitical stability through active participation in global semiconductor governance. By integrating its technological strengths, aligning

[112] Stevens, "With Chips on the Brain, Netherlands Seeks an Ally in South Korea."

with trusted allies, and addressing shared challenges, the Netherlands can position itself as a critical player in shaping a secure, innovative, and resilient global semiconductor ecosystem. In doing so, the Netherlands and the EU will not only protect their own interests but also contribute to the stability and prosperity of the Indo-Pacific and beyond.

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Rhetoric at the Crossroads

Identity, Historical Narrative, and China's Troubled "Global Community of Shared Future"

Ziyi Yan

PACIFIC FORUM
INTERNATIONAL

Rhetoric at the Crossroads: Identity, Historical Narrative, and China's Troubled "Global Community of Shared Future"

By
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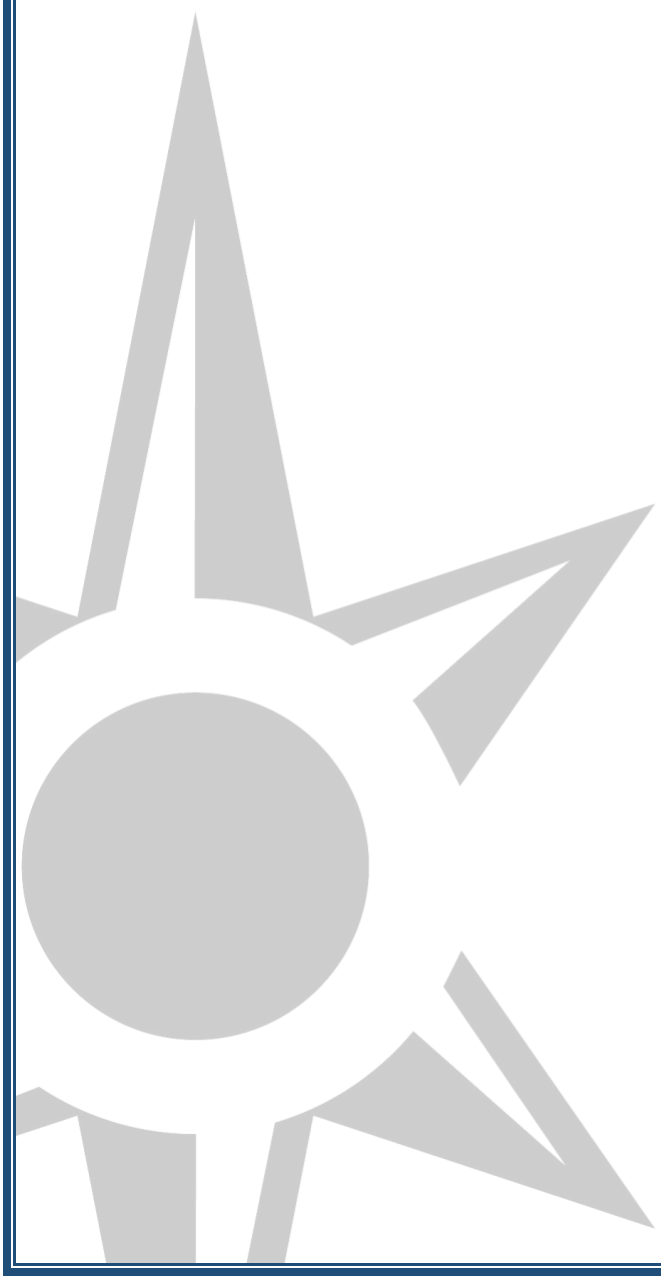

Executive Summary

Ziyi Yan

Since the establishment of China's "Five Principles of Peaceful Coexistence" in 1954, its foreign policy rhetoric has stayed strikingly consistent, emphasizing concepts such as multipolarity, global cooperation, and an inclusive international order. However, US reception of this rhetoric has shifted since China's early integration into the international order: today, benign-sounding terms like a "Global Community of Shared Future" are interpreted as a proxy for authoritarianism and power politics. While Chinese rhetoric is often analyzed as a coercive tool employed toward the ultimate end of establishing regional or global hegemony, such an account ignores the way in which the notion of global cooperation is deeply ingrained to China's own identity. Therefore, this paper interrogates the internal and external conditions that inform the reception of China's rhetoric, as well as the disjunction between China's rhetoric and the hard power implications of its foreign policy. It asks the following questions: What are China's narratives on global governance, and what rhetorical tools are used to bolster them? Furthermore, why does China continue to frame its international engagements as cooperative despite the troubled reception of this message?

This paper first traces how China's foreign policy rhetoric evolved from pragmatic self-description during its integration into the global order, to an increasingly assertive global prescription. Subsequently, it explores the connection between China's ideal of global cooperation and its own quest for identity-building through "national rejuvenation," examining a paradox by which China's attempts to forge a unified historical narrative simultaneously jeopardize its calls for global peace and stability. Given these parallel developments, this paper arrives at China's conception of international relations, wherein actions often understood by the US as realist power projection are intertwined with collaborative aspirations through historical and identity-based narratives that defy Western IR paradigms.

The second half of this paper demonstrates how Chinese rhetoric is a performative attempt to bring about the global future it desires, and how China's ambitions are based on an identity that is being built through these very attempts. China's continued appeals to the existing international order, as well as its move toward a "civilizational" discourse, constitute an effort to bridge a fractured identity with a global system in which

China has never been fully a part. Ultimately, China believes that it must usher in a collaborative global future as a way of substantiating its own vision of a continuous national identity. Yet, the synergy between China's past and present–and its internal and external negotiation of identity–destabilizes the global order. China frequently poses a dilemma for humanity that dichotomizes cooperation and animosity, but its own flawed negotiation of the global order raises a different question: how can a nation—or an international community—move from a past defined by rupture and violence toward a future free of it? Given the dominant context of US-China great power competition, the US response to China–and the US' own engagement with the world–is crucial toward providing an answer.

Introduction

In 1972, after 25 years of diplomatic isolation, Richard Nixon visited China. During this trip, he signed the Shanghai Communique, which gestured toward a normalization of relations between the two countries. Both parties pledged not to seek hegemony in the Asia-Pacific, and affirmed the principles of "equality, mutual benefit, and peaceful coexistence" despite "essential differences" in their foreign policies and social systems. [1] Reflecting the coexistence of different opinions, this document contained segments written specifically from the perspective of each individual side, as well as segments expressing shared sentiments. The US side specifically stated, "Countries should treat each other with mutual respect and be willing to compete peacefully, letting performance be the ultimate judge. No country should claim infallibility and each country should be prepared to reexamine its own attitudes for the common good."[2]

The Shanghai Communiqué was a landmark document in China's initial attempt to overcome its isolation and enter into the liberal international order. Yet, strikingly, the US statement in this document contains clear echoes of the guiding principles of China's own foreign policy. As articulated in China's 1954 document on the Five Principles of Peaceful Coexistence, these principles were: "mutual respect for each other's territorial integrity and sovereignty," "mutual non-aggression," "non-interference in each other's internal affairs," "equality and mutual benefit," and "peaceful co-existence." [3] In fact, despite contentious debate within the US regarding China's intentions at the time, China's foreign policy doctrine was accepted–and even endorsed word-for-word–in the very document that laid out the beginnings of its relationship with the US and with the broader US-led international order.

Similarly, in 1997, as China was becoming more politically and economically influential, it proclaimed its ideal form of global governance in a joint declaration with Russia, which advocated "a new type of long-term inter-State relations that are not directed against third countries" where "No country should seek hegemony, engage in power politics, or monopolize international affairs."[4] This statement was clearly also built from China's long-standing advocacy for multipolarity and so-called "inclusive foreign relations." Despite the fact that China called for a "new type" of global engagement, the US' actions in the years following demonstrated a tentative acceptance of China's rhetoric: by 2000, the US had normalized trade relations with China, and in 2001, China was admitted to the World Trade Organization with US help.

During China's early rise, the US did not only accept China's foreign policy rhetoric–it called upon China to proactively build a global community. For example, in 2005, Deputy Secretary of State Robert B. Zoellick stated that the US and China should not only pursue their shared interests, but that they should develop a "deep and lasting" alliance based on shared values, gesturing toward the beginnings of a relationship that was not merely transactional. [5] Furthermore, in his same 2005 speech, Zoellick promoted the idea that China should proactively build the international system: he called on China to play a greater global role, and brought up examples of how China could serve as an important mediator to draw countries like Sudan, North Korea, and Iran into the international system.

Today, the guiding principles advanced in early Chinese rhetoric on global governance have stayed consistent to the ideas promoted in the early stages of China's rise. Just as China has consistently demonstrated its wish to reform international relations and advance a new international order, Foreign Minister Wang Yi stated in 2016, "One cannot live in the 21st century with the outdated thinking from the age of Cold War and zero-sum game," and instead advocates for "a new type of international relations." [6] China's 2021 Global Development

[1] US Department of State and Ministry of Foreign Affairs of the People's Republic of China, "Joint Communiqué of the United States of America and the People's Republic of China," Shanghai, Feb. 28, 1972, https://www.china.org.cn/english/china-us/26012.htm.
[2] Ibid.
[3] Ministry of Foreign Affairs of the People's Republic of China, "China's Initiation of the Five Principles of Peaceful Co-Existence," 中华人民共和国外交部, https://www.mfa.gov.cn/eng/zy/wjls/3604_665547/202405/t20240531_11367542.html.
[4] Permanent Representatives of China and the Russian Federation to the United Nations, *Russian-Chinese joint declaration on a multipolar world and the establishment of a New International Order*, A/52/153 and S/1997/384 (New York: United Nations, 20 May 1997), https://digitallibrary.un.org/record/234074?ln=en&v=pdf.
[5] Robert B. Zoellick, "Whither China: From Membership to Responsibility?," remarks to the National Committee on US–China Relations, New York City, Sept. 21, 2005, US Department of State, https://2001-2009.state.gov/s/d/former/zoellick/rem/53682.htm.
[6] Ministry of Foreign Affairs of the People's Republic of China, "Build a New Type of International Relations Featuring Win-Win Cooperation," 中

Initiative (GDI), often considered an evolution of the Belt and Road Initiative, began to actualize this idea by calling for increased international cooperation on development, claiming that "Development is the eternal pursuit of human society." [7] Subsequently, China's 2022 Global Security Initiative (GSI) built upon the notions of openness and inclusive cooperation to advance a common security agenda for mankind.[8]

In March 2023, Xi Jinping launched the Global Civilization Initiative (GCI), the latest in a series of Chinese initiatives signalling the CCP's vision for what global governance ought to look like. This document further broadened the scope of China's proposed global cooperation to focus not only on specific, tangible issues, but on a broader vision for an interconnected global community, working together to build a peaceful and prosperous future. In September 2023, the GCI was explicated in a white paper titled, "A Global Community of Shared Future: China's Proposals and Actions," which paints a picture of humanity at a crossroads, "facing immense and unprecedented crises, both known and unknown." It then asks: "Where is humanity headed?" In response, China advocates building "a global community of shared future, all peoples, all countries, and all individuals –our destinies being interconnected."[9]

In China's vision for a shared global future, as outlined in this document, countries should not "draw lines based on ideology" or "form exclusive blocs." Principles like "unity" and "harmonious cooperation" must be the norm, based upon a respect for the "diversity of civilizations." [10] Each of these ideas can be traced back to the sentiments expressed in earlier documents like the Principles of Peaceful Coexistence, the Shanghai Communiqué, and the China-Russia Joint Declaration. Similarly, just as China has always promoted the idea of respecting differences in international relations rather than adhering strictly to Western values, a core tenet of the GCI is "upholding the principle of independence."[11] At the same time, China's call for a global community echoes Zoellick's idea of a partnership hinged on shared values, demonstrating how China's current vision for global governance descends from a lineage of ideas that were accepted, and even actively constructed, by the United States. Therefore, even while China calls for a "new type of international relations," the call itself is not new in any sense.

Despite the historical continuity of China's rhetoric, the reception and interpretation of its messaging by the US today vastly diverges from the reception of the early 2000s. In a 2020 speech, then-Secretary of State Mike Pompeo pronounced that the CCP desired the "global hegemony of Chinese communism," and stated: "If we don't act now, ultimately the CCP will erode our freedoms and subvert the rules-based order … our children's children may be at the mercy of the Chinese Communist Party, whose actions are the primary challenge today in the free world." [12] Though Republicans have typically held more hawkish positions toward China than Democrats, today's consensus on the "China threat" clearly indicates the US' rejection of China's globalist rhetoric.[13] For example, in January 2023, Congress established a bipartisan committee on Strategic Competition between the United States and the CCP, where chairman Mike Gallagher (R-Wisconsin) pronounced, to no dispute from his colleagues, that China's goal was to create "a world crowded with techno-totalitarian surveillance states."[14]

华人民共和国外交部, July 1, 2016, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312136.html.

[7] Ministry of Foreign Affairs of the People's Republic of China, *Global Development Initiative — Building on 2030 SDGs for Stronger, Greener and Healthier Global Development (Concept Paper)*, Sept. 21, 2021, https://www.mfa.gov.cn/eng/zy/jj/GDI_140002/wj/202406/P020240606606193448267.pdf

[8] Ministry of Foreign Affairs of the People's Republic of China, "Implementing the Global Security Initiative to Build a World of Lasting Peace and Universal Security—Speech by H.E. Chen Xiaodong, Vice Minister of Foreign Affairs of the People's Republic of China, at the Session on the Global Security Initiative Of the Boao Forum," 中华人民共和国外交部, March 28, 2024, https://www.mfa.gov.cn/eng/wjb/zzjg_663340/swaqsws_665306/xgxw/202403/t20240328_11272725.html

[9] *A Global Community of Shared Future: China's Proposals and Actions*, Third Belt and Road Forum for International Cooperation, Sept. 2023, Belt and Road Forum, http://www.beltandroadforum.org/english/n101/2023/1010/c127-916.html.

[10] Ibid.

[11] "Xi urges political parties to steer course for modernization, proposes Global Civilization Initiative," Xinhua, March 16, 2023, https://www.idcpc.org.cn/ztwy/hytl/gdheng/results/202303/t20230316_151401.html.

[12] Michael R. Pompeo, "Communist China and the Free World's Future," speech, Richard Nixon Presidential Library and Museum, Yorba Linda, California, July 23, 2020, US Department of State (archived content, 2017–2021), https://2017-2021.state.gov/communist-china-and-the-free-worlds-future-2/index.html.

[13] Laura Silver, "Republicans See China More Negatively than Democrats, Even as Criticism Rises in Both Parties," Pew Research Center, July 30, 2020, https://www.pewresearch.org/short-reads/2020/07/30/republicans-see-china-more-negatively-than-democrats-even-as-criticism-rises-in-both-parties/.

[14] "The Chinese Communist Party's Threat to America," hearing before the Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, House of Representatives, 118th Cong., Feb. 28, 2023, 3, https://selectcommitteeontheccp.house.gov/committee-activity/hearings/the-chinese-communist-party-s-threat-to-america.

Hostile perceptions of China's intentions have come to dominate executive departments as well as the legislature. For example, the State Department asserts that Beijing's strategic goal is to "set up a new international order dominated by the CCP."[15] And, speaking at the Shangri-La Dialogue in May 2025, Defense Secretary Pete Hegseth stated that the "China threat" would not wait, and that the US and its allies therefore had "no time to waste." He further emphasized the US DoD's ability to fight a war against China "...and win, decisively," before calling on other nations to increase their own military capabilities.[16] These statements demonstrate that China's collaborative rhetoric is not taken as a true reflection of its intentions, whilst its calls for reformed foreign relations are seen to signal its desire for global domination.

Indeed, despite China's continuous assertion of its dedication to building a peaceful world order, its recent geopolitical undertakings paint a different picture. Especially since Xi Jinping came to power, China has steadily increased its defense spending while militarizing the South China Sea and conducting military exercises largely interpreted as preparation for an invasion of Taiwan.[17] Even while the principles of the UN Charter are enshrined in China's Law on Foreign Relations, China's refusal to accept the Hague's 2016 ruling[18] regarding the illegality of its 9-dash-line in the South China Sea constitutes a rejection of the UN's legal authority. Similarly, following Nancy Pelosi's visit to Taiwan in 2022, China launched three days of military drills around the island,[19] signalling an aggressive posture that contradicts the principle, outlined in its Global Security Initiative, of "a new path to security that features dialogue over confrontation."[20] Additionally, China has grown increasingly critical of the United States, lending credence to the notion that China seeks to topple the existing international order.

The most straightforward explanation for the apparent disconnect between China's rhetoric and its reception today is that Chinese rhetoric simply cannot be trusted. In fact, when China launched the Global Civilization Initiative, political scientist Robert Evan Ellis construed its advocacy for peaceful international coexistence as "a tool of strategic discourse" which conveniently ignores "contradictions within the GCI's logic" and within "China's own behavior."[21] US political discourse often interprets these contradictions as signs of deception: Rep. Gallagher has stated that China "...wants to simply dominate the world. And they want to subjugate all of us…They will lie, cheat, do whatever it is, to gain their way."[22] Under such a framing of events, Chinese rhetoric on cooperation would merely be a tactic that China uses to fulfill its revisionist ambitions. Accordingly, China's collaborative rhetoric can be seen as a front for its own self-interested strategic motives–a position demonstrated by US rhetoric on the "China threat."

This perspective is bolstered by the belief that the CCP's statements serve as propaganda in wide-ranging malign influence campaigns aimed at suppressing all dissent. For example, Trump 1.0 National Security Advisor Robert O'Brien has stated that for China, "Words are not vehicles of reason and persuasion. They are bullets. Words are for defining, isolating, and destroying opponents," while framing the CCP's "Community of Common Destiny for Mankind" as a pernicious "effort to control thought beyond the borders of China."[23] O'Brien represents a growing consensus within the US policy community that it isn't worth it to analyze the substance of Chinese rhetoric, which serves as a mere instrument

[15] US Department of State, "The Chinese Communist Party: Threatening Global Peace and Security," https://2017-2021.state.gov/the-chinese-communist-party-threatening-global-peace-and-security/.
[16] Pete Hegseth, "Hegseth Outlines US Vision for Indo-Pacific, Addresses China Threat," US Department of Defense, May 31, 2025, https://www.defense.gov/News/News-Stories/Article/Article/4202504/hegseth-outlines-us-vision-for-indo-pacific-addresses-china-threat/
[17] Aleksandra Gadzala Tirziu, "China's military expansion: A global power shift in the making," GIS Reports Online, Dec. 16, 2024, GIS Reports Online website, https://www.gisreportsonline.com/r/china-military-expansion/.
[18] Fu Ying, "Why China Says No to the Arbitration on the South China Sea," *Foreign Policy*, July 10, 2016, https://foreignpolicy.com/2016/07/10/why-china-says-no-to-the-arbitration-on-the-south-china-sea/.
[19] Wayne Chang, Sophie Jeong, Heather Chen, Brad Lendon, and Eric Cheung, "China Military Rehearses 'Encircling' Taiwan after US Speaker Visit," CNN, April 8, 2023, https://www.cnn.com/2023/04/07/china/china-taiwan-military-exercises-hnk-intl-ml/index.html.
[20] Ministry of Foreign Affairs of the People's Republic of China, "China's Three Global Initiatives: China's Solutions to Addressing Global Challenges——Speech by Chinese Ambassador to PNG Yang Xiaoguang at the 'China's Global Initiative and China-PNG Cooperation' Symposium," 中华人民共和国外交部, March 13, 2025, https://www.fmprc.gov.cn/mfa_eng/xw/zwbd/202503/t20250318_11577782.html.
[21] R. Evan Ellis, "The Trouble With China's Global Civilization Initiative," *The Diplomat*, June 1, 2023, https://thediplomat.com/2023/06/the-trouble-with-chinas-global-civilization-initiative/.
[22] *The Chinese Communist Party's Threat to America*, hearing before the Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, House of Representatives, 118th Cong., Febr. 28, 2023, 83.
[23] Robert C. O'Brien, "The Chinese Communist Party's Ideology and Global Ambitions," White House, June 26, 2020, https://trumpwhitehouse.archives.gov/briefings-statements/chinese-communist-partys-ideology-global-ambitions/.

"to target, to flatter, to cajole, to influence, to coerce." [24] This predominant understanding of China's ambitions in the US accords with a theory of offensive realism, in which states desire to maximize their own power through establishing hegemony.[25] Under such a model, Chinese rhetoric is less telling of its intentions than its material power projection and coercive statecraft, and can even be read as another coercive tool to strengthen China's position on the road to hegemony.

However, a reading of China's institutionalist rhetoric as a mask for power is complicated by the implications that foreign policy rhetoric holds for China's domestic audience. For example, *Study Times*, the source of a 2016 article by China's foreign minister that promotes "win-win cooperation" and a "neighborhood diplomacy of amity, sincerity, mutual benefit and inclusiveness," is used for domestic CCP training programs, meaning that CCP members themselves are being taught the importance of cooperative international relations. [26] Likewise, Xi Jinping's report to the 20th CCP Party Congress–an event where the President represents China to the party and the domestic public–similarly promoted "peace, development, cooperation, and mutual benefit," while denouncing "zero-sum games."[27] In another speech to the CCP, Xi stated that "China will never seek hegemony or engage in expansionism."[28] The sentiments expressed in China's public rhetoric are not only an important instrument for representing China abroad, but also how the Chinese government constitutes its own identity and represents itself to the people. If the CCP merely sought power, it could use collaborative rhetoric to increase its global influence. But, especially given the US' open hostility toward China, this explanation does not account for how the idea of global collaboration is deeply ingrained into China's self-understanding.

Furthermore, an understanding of Chinese rhetoric as purely coercive sidesteps the fact that China's current calls for multipolarity and global community build from ideas that it has championed for decades–and that these ideas were once jointly promoted by the US. Given that US perceptions of the truthfulness of Chinese rhetoric has shifted over time, the key consideration is not simply whether the inherent content of China's collaborative rhetoric is "real" or "fake," but why—and under what internal and external conditions—its reception and implications change. Why did the US initially support China's stated principles, despite the fact that China clearly desired to reform the international system? And, on the other hand, what changes within China and the US have caused such a benign-sounding term–a "Global Community of Shared Future"–to become a proxy for authoritarianism and power politics today?

Past scholarship has noted the contradiction between China's idealistic international aspirations and the realist implications of its national security policy,[29] but has not demonstrated the exact mechanisms by which the two coexist. Given this, the history of China's foreign policy discourse in the context of US-China relations can be used as an entry point to understand China's intentions today. Accordingly, this paper critically interrogates China's outward and inward-facing foreign policy rhetoric to investigate China's current narratives on global governance, the rhetorical tools used to bolster these narratives, and the reason why China continues to frame its international engagements as cooperative despite the troubled reception of this message. It first demonstrates the way in which China expanded the scope of its foreign policy rhetoric while defeating its own calls for collaboration through the call for "national rejuvenation." Subsequently, it explores how shifting attitudes toward multilateralism and a reliance on Western IR frameworks have shaped inaccurate understandings of Chinese motivations. Finally, this paper navigates the way in which Chinese rhetoric is a performative attempt to bring about the global community it desires, and how this very attempt indicates the contradictory and self-defeating nature of China's national identity.

[24] Ibid.
[25] John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton, 2001)
[26] Ministry of Foreign Affairs of the People's Republic of China, "Build a New Type of International Relations Featuring Win-Win Cooperation," 中华人民共和国外交部, July 1, 2016, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312136.html.
[27] International Department, Central Committee of CPC, "Full text of the report to the 20th National Congress of the Communist Party of China," Aug. 2, 2023, https://www.idcpc.org.cn/english2023/tjzl/cpcjj/20thPartyCongrssReport/.
[28] Ibid.
[29] Jianwei Wang, "Xi Jinping's 'Major Country Diplomacy:' A Paradigm Shift?" *Journal of Contemporary China* 28, no. 115 (2018): 15–30, https://doi.org/10.1080/10670564.2018.1497907.

From Domestic Development to Global Development

The values expressed in Xi's global initiatives–such as equality between countries, joint development, and a shift toward a multipolar world–are the same sentiments that China has championed since it began opening up to the West, at which point they were not seen to pose a threat to the world order. Past scholarship has found that Xi Jinping's foreign policies have departed from Deng Xiaoping's strategy of "lying low," in favor of a more aggressive agenda.[30] While this insight is valuable, a turn toward the specific manifestations of CCP rhetoric reveals the nuances of this process. China didn't undergo a binary shift in its foreign policy priorities. Instead, it went from adopting existing international principles toward its own development, to expanding them beyond their original application, effectively generating a more expansive global vision.

In the early 2000s, Chinese politicians sought to assuage US fears about its possible revisionist intentions by advancing the concept of a "peaceful rise." Therefore, Chinese speeches regarding global governance focused on representing China's intentions to a global stage that was mostly unfamiliar with China: rhetoric from this era tended to put forth ideas like equality between countries and cooperative development as tenets that China would pursue in its own attempt to "catch up" with the West. In a speech regarding US-China relations at the Brookings Institution, for example, Chinese politician Zheng Bijian assured audiences that China would not pursue the expansion that comprised the "European dream" of the colonial era, nor the degree of energy consumption that upholds the "American dream," nor the arms race that fueled the "Soviet dream."[31]

Importantly, Bijian used the notion of cooperative development and the rejection of power politics to justify China's own development and its ambitions for its own people. He made no claims about how the rest of the world should pursue their foreign relations, and rather grounded his argument on how China's integration into the international order could benefit the global community, asserting that China would become "a responsible big country playing a constructive role in international affairs, which neither seeks hegemony or leadership of the world."[32] Thus, although Chinese texts already existed at this time which deplored power politics and alluded to the possibility of a different international order, this ideology was most prominently used to portray an ideal that China would aspire to in its own foreign policy.

However, in the coming years, these same values would be put forward more assertively to influence the future of international relations for all countries. Beginning with a 2011 white paper on China's "Peaceful Development," China began to state that its own foreign policy included the "building of a harmonious world." While China initially announced equal multilateral relations as a tenet of its own rise, this white paper expanded the imperative to other countries, stating, "Countries should respect each other and treat each other as equals, and work together to promote democracy in international relations."[33] The white paper also advanced a list of ways in which all countries should cooperate economically, culturally, and politically, despite the fact that the paper's title referred to China's own "Peaceful Development." Moreover, while China's 1997 joint declaration with Russia laid out the concept of a peaceful and inclusive multipolar world, its 2011 white paper portrayed China's successful development as mutually constitutive with this ideal version of the global order, stating, "China should develop itself through upholding world peace and contribute to world peace through its own development."[34] This suggests that China's own foreign policy doctrine and peaceful development could only be realized in a world that adopted similar principles, while an egalitarian global order could only be realized in tandem with China's own development.

The intertwining of domestic development with a reformed global order served as a bridge to even more assertive Chinese rhetoric on global governance under Xi Jinping, whose speeches at the UN began to incorporate impassioned calls to action. In 2015, he stated at a general debate, "Let the vision of a world

[30] Angela Poh and Mingjiang Li, "A China in Transition: The Rhetoric and Substance of Chinese Foreign Policy under Xi Jinping," *Asian Security* 13, no. 2 (2017): 84–97, https://doi.org/10.1080/14799855.2017.1286163.
[31] Bijian Zheng, *China's Peaceful Rise: Speeches of Zheng Bijian 1997–2005* (Washington, DC: Brookings Institution Press, 2005), 6, https://ebookcentral.proquest.com/lib/princeton/detail.action?docID=267610.
[32] Ibid., 7.
[33] Information Office of the State Council of the People's Republic of China, "China's Peaceful Development," white paper, Sept. 6, 2011, https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm.
[34] Ibid.

free of war and with lasting peace take root in our hearts. Let the aspiration of development, prosperity, fairness and justice spread across the world!" [35] Previously, China was an outsider seeking to step into a "responsible role" in the international system. But by 2015, Xi's use of the phrase "let us" implied that China had not only successfully joined this collective, but could rally other countries to shape its prerogatives and actions. In 2021, Xi's statement at the UN became even more assertive: "Let us join hands, stand on the right side of history and the side of human progress, and work tirelessly for the lasting and peaceful development of the world and for building a community with a shared future for mankind!" [36]

While Xi's 2015 speech advocated a collective "vision" and "aspiration," the 2021 speech demanded firm, concrete action through "joining hands" and "working tirelessly." Meanwhile, phrases like "the right side of history" and "a community with a shared future for mankind" called for increased alignment and ideological unity, as compared to the more general principles advanced in 2015. While China's foreign relations principles were initially used to signal China's own practices to the world, they later became a suggestion for how other nations should conduct their foreign relations, and are today part of an increasingly fervent call to action for the entire world. Therefore, even as China's espoused value of inclusive multilateralism remained consistent, the scope of implementation for these ideals was significantly expanded once in conjunction with China's actual integration into the international system.

China's rhetoric regarding "openness" displays a similar trend. Namely, Chinese rhetoric shifted from an emphasis on "opening up *to* the outside world," to an emphasis on what can better be captured as, "*opening up* the outside world." In a 1992 Southern Tour speech, Deng Xiaoping reinforced his vision of openness with the following statement: "We should be bolder than before in conducting reform and opening to the outside world...That is the important lesson to be learned from Shenzhen." [37] In this speech, openness referred to China's own willingness to learn from the West by pursuing market reforms–such as through the Shenzhen SEZ–and joining the existing economic order. Bijian's 2003 speech at the Ba'ao Forum for Asia likewise highlighted the importance of China's choice to "participate in, rather than isolate itself from" the trend of globalization. [38] In these early examples, globalization was the prevailing global trend, and China made it clear that it was joining this trend to advance its own development.

Yet, by 2011, the CCP had changed its phrasing to the following: "China will continue to pursue the basic state policy of opening up to the outside world and the opening-up strategy of mutual benefit… we will continuously explore new ways of opening up and improving the open economic system." [39] In this statement, China's own process of opening-up was seamlessly and almost invisibly equated with creating a global economy that was itself more open. In his 2023 report to the 20th National Congress, Xi confirmed this expanded outlook that had previously cropped up in China's rhetoric on globalization, saying, "We have pursued a more proactive strategy of opening up; opening up across more areas and in greater depth." [40] Openness became not only a domestic strategy, but a foreign policy prerogative; once China had entangled its own development with a globalized economy, the fulfillment of its principles domestically began to require shifting the global order itself.

China's increasingly expansive rhetoric aligns with the historical trajectory of its relationship with the global order: it at first adopted an existing system of multilateralism and globalization, then intertwined these principles with its own growing power. Initiatives like the BRI, the AIIB, and BRICS rivalled

[35] Xi Jinping, "Working Together to Forge a New Partnership of Win-Win Cooperation and Create a Community of Shared Future for Mankind," remarks at the General Debate, 70th Session of the United Nations General Assembly, New York, Sept. 28, 2015.
[36] Ministry of Foreign Affairs of the People's Republic of China, "Speech by H.E. Xi Jinping President of the People's Republic of China at the Conference Marking the 50th Anniversary of the Restoration of the Lawful Seat of the People's Republic of China in the United Nations," Oct. 25, 2021, https://www.mfa.gov.cn/eng/xw/zyjh/202405/t20240530_11341573.html.
[37] Deng Xiaoping, "Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai," Jan. 18–Feb. 21, 1992, transcript, https://dengxiaopingworks.wordpress.com/2013/03/18/excerpts-from-talks-given-in-wuchang-shenzhen-zhuhai-and-shanghai/.
[38] Zheng Bijian, "A New Path for China's Peaceful Rise and the Future of Asia," in *China's Peaceful Rise: Speeches of Zheng Bijian 1997–2005* (Washington, DC: Brookings Institution Press, 2005), ProQuest Ebook Central, https://ebookcentral.proquest.com/lib/princeton/detail.action?docID=267610.
[39] Information Office of the State Council of the People's Republic of China, "China's Peaceful Development," white paper, Sept. 6, 2011, https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm.
[40] International Department, Central Committee of CPC, "Full text of the report to the 20th National Congress of the Communist Party of China," Aug. 2, 2023, https://www.idcpc.org.cn/english2023/tjzl/cpcjj/20thPartyCongrssReport/.

the scope of previous frameworks for economic cooperation while also advancing a different set of rules for such cooperation, in a way that made China's influence inseparable from the promise of a more inclusive global order. For example, the BRI was a cooperative initiative that was accepted by countless countries worldwide, its high interest rates, lack of policy conditions, and low consideration for the host country's financial situation[41] constituted an unprecedented expansion of existing frameworks for multilateral cooperation. This allowed China to cement its own economic and political influence abroad while also reinforcing a narrative of inclusive development. Similarly, 110 other members from Asia and beyond eventually joined the AIIB, demonstrating that the bank did, indeed, advance more inclusive financial governance while advancing global development by filling an infrastructure funding gap. However, the AIIB also effectively served as a counterweight that rivaled established Western institutions while increasing China's own financial influence. Likewise, while BRICS aims at diversifying international discourse by promoting economic integration among rising powers, it also implicitly diverts power away from the established Western order.

Each of these initiatives align with China's broader promotion of Global South solidarity and South-South partnerships, as outlined by its statement that "Modernization should not be confined to a few. Rather, it should serve all countries and all people."[42] However, these initiatives simultaneously advance a version of multilateralism that sidesteps the United States. Similarly, while China's Confucius Institutes, educational exchanges, and aid initiatives promote its ethos of greater interconnectedness and global collaboration, they also predominantly solidify China's own alliance network. As China's global influence expanded, the US had to reckon with the truth that a more inclusive international order would necessarily be multipolar, thereby shifting power away from the US. Thus, China's attempts at establishing a multipolar world could also simultaneously be interpreted as an attempt to maximize its own power, thereby making its calls for global collaboration increasingly unpalatable to the US.

National Rejuvenation as an Unsuccessful Reckoning with History

While the specific ways in which China pursued its economic development provide a partial explanation for shifting perceptions of its rhetoric, an analysis of the relationship between Chinese rhetoric and policy must account for the hard power implications of China's global engagements. In recent years, China has vastly expanded its military, including developing the world's largest navy, as well as an advanced arsenal of nuclear, conventional, cyber, and space capabilities.[43] It has also militarized the South China Sea through land reclamation initiatives and asserted a "Nine-Dash Line" that conflicts with the Exclusive Economic zones of multiple countries in the region. Subsequently, China's refusal to abide by a 2016 UNCLOS ruling that rejected its SCS territorial claims demonstrated a desire to reshape international law to align with its interests. Furthermore, China has ramped up its military drills near Taiwan while calling more forcefully for "reunification," signalling the possibility of an impending invasion or blockade.[44] The CCP has also pursued aggressive trade policies that have resulted in a number of WTO cases against China.[45] Meanwhile, expansive subsidies for advanced technology sectors[46] and initiatives like "Made in China 2025" aim to push China's domestic industries and reduce reliance on foreign technology, indicating a quest for economic dominance.

Moreover, China often reverts to belligerent and provocative measures to reinforce its projection of power. For example, it launched military drills to coincide with Nancy Pelosi's 2022 visit to Taiwan, and Chinese Coast Guard and militia vessels have

[41] David Uren, "China's Belt and Road Initiative and quasi-IMF lending," Australian Strategic Policy Institute, Oct. 19, 2023, https://www.aspistrategist.org.au/chinas-belt-and-road-initiative-and-quasi-imf-lending/.

[42] Ministry of Foreign Affairs of the People's Republic of China, "Self-Confidence and Self-Reliance, Openness and Inclusiveness, Fairness and Justice, and Win-Win Cooperation– Address by H.E. Wang Yi at the Symposium on the International Situation and China's Foreign Relations," 中华人民共和国外交部, Jan. 9, 2024, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312291.html.

[43] David Vergun, "China's Military Buildup Threatens Indo-Pacific Region Security," *US* Department of Defense, April 9, 2025, https://www.defense.gov/News/News-Stories/Article/article/4150802/chinas-military-buildup-threatens-indo-pacific-region-security/.

[44] Beijing Newsroom, "Xi says no one can stop China's 'reunification' with Taiwan," Reuters, Dec. 31, 2024, https://www.reuters.com/world/china/xi-says-no-one-can-stop-chinas-reunification-with-taiwan-2024-12-31/.

[45] "What Happened When China Joined the WTO?" Council on Foreign Relations, Feb. 6, 2025, https://education.cfr.org/learn/reading/what-happened-when-china-joined-wto.

[46] Meaghan Tobin, "China Is Spending Billions to Become an A.I. Superpower," *The New York Times*, July 16, 2025, https://www.nytimes.com/2025/07/16/technology/china-ai.html.

often entered disputed territories, behaving aggressively toward ships from other countries. China has additionally used trade restrictions, visa bans, and investment leverage to pressure countries over political disputes, reinforcing the perception that it seeks to fundamentally reshape the global order. Domestic politics do little to combat this perception: repression in Hong Kong and Xinjiang, restrictions on information, and increasingly centralized power within the CCP, including Xi's removal of presidential term limits, further suggest the CCP's pursuit of total control.

When considered in light of these facts, initiatives like the BRI, the AIIB, BRICS, and China's emphasis on Global South solidarity can easily be viewed as part of a larger quest for regional or global hegemony. However, a deeper analysis of Chinese rhetoric reveals how China's aggressive foreign policy is guided by a concept of "national rejuvenation" that eludes western IR paradigms. This concept can be viewed as an attempt to create a coherent narrative and national identity from the rupture marking China's history. It is also inseparable from China's vision for a harmonious and collaborative global future. Therefore, even as China's regional aggression undermines the very harmony it calls for, China's calls for collaboration and its power projection are interrelated.

As party officials often mention, China is a 5,000 year-old civilization. Yet this period contained assertions and contestations of sovereignty based upon many differing conceptions of "China," under the rule of different dynasties, territorial extents, and ethnic groups. For example, the Qing Dynasty, China's last imperial dynasty, was established by the Manchus, a non-Han ethnic group, and governed over a multi-ethnic empire that included Tibet, Xinjiang, Mongolia, and Taiwan, though these regions often maintained local autonomy and identity, challenging the idea of a single Chinese identity. China's unity was most drastically ruptured by the "Century of Humiliation" (mid-19th to mid-20th century), when Western powers imposed exploitative treaties on China, annexed Chinese territories, and subjugated the Chinese government, leading to instability and rebellion that ultimately destroyed a dynastic system that had lasted lasted for nearly four millennia. Following the collapse of the Qing dynasty, China's civil war further complicated the notion of a unified identity. And, although the CCP derives its legitimacy through the legacy of Mao Zedong's revolutionary socialism, it also continues to rework socialist dogma to accommodate China's modern economic condition, indicating a convoluted and ever-changing ideological and cultural narrative.

In this context, "national rejuvenation" serves as a core tenet of Xi Jinping's "Socialism with Chinese Characteristics for a New Era," which represents the "latest achievement in adapting Marxism to the Chinese context." Effectively, Xi's doctrine builds off from previous ideological modifications to Marxism, such as Deng Xiaoping Theory, the Theory of Three Represents, and the Scientific Outlook on Development,[47] in an ongoing effort to negotiate China's own fractured identity. Xi Jinping began a 2017 speech on "Socialism with Chinese Characteristics for a New Era" with a reference to China's Century of Humiliation, in which "China was plunged into the darkness of domestic turmoil and foreign aggression; its people, ravaged by war, saw their homeland torn apart and lived in poverty and despair."[48] To ensure that China would never again be vulnerable to such despair–or, so the narrative goes–Xi has attempted to consolidate control and project an image of strength, often in ways that seem to signal a desire for global dominance.

For example, in a 2012 speech outlining his vision for national rejuvenation, Xi stated that China's "sufferings and sacrifices in modern times were rarely seen in the history of the world," but ultimately claimed, "Our struggles in the over 170 years since the Opium War have created bright prospects for achieving the rejuvenation of the Chinese nation. We are now closer to this goal, and we are more confident and capable of achieving it than at any other time in history."[49] China's increasing militarization of the South China Sea and the waters near Taiwan, the CCP's turn toward greater central control, and China's increased

[47] Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era," speech delivered at the 19th National Congress of the Communist Party of China, Oct. 18, 2017, Xinhua, http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf.

[48] Ibid.

[49] Xi Jinping, "Achieving Rejuvenation Is the Dream of the Chinese People– speech made when visiting the exhibition 'The Road to Rejuvenation,'" Information Center of the National Ethnic Affairs Commission, Nov. 29, 2012, https://www.neac.gov.cn/seac/c103372/202201/1156514.shtml.

internal repression can all be seen as part of Xi's vision of renewed national unity and greatness: by regaining the regional power that China had in the past, Xi can claim to rectify the past wrongs done to China; by suppressing difference and dissent internally, Xi can project an image of China's own unity. Similarly, China's increasing militarization follows a tenet of national rejuvenation that includes "the Party's goal of building a strong military in the new era is to build the people's forces into world-class forces that obey the Party's command, can fight and win."[50] Each of these undertakings accord with Xi's attempt to consolidate China's ruptured history–including its century of humiliation, its civil war, and ever-changing manifestations of socialism–into a narrative of strength and redemption.

Xi's attempt to assert historical unity and continuity is further demonstrated by his addition of "cultural confidence" and "historical confidence" to China's previous doctrine of "Three confidences" (which included confidence in the path, the theory, and the system of "socialism with Chinese characteristics").[51] Xi states that cultural confidence will "help the world better understand China and its uninterrupted civilization," [52] attempting to retroactively smooth over the interruptions to China's identity. This endeavor is important to Xi's own rule, as the CCP derives its legitimacy from the notion that it is the only political party capable of staving off foreign aggressors–both in the past and in the future. [53] China's claims in the SCS and over Taiwan stem from various historical identities from the Ming and Qing Dynasties, which do not neatly accord with China's current status as a nation-state. Even still, the CCP's narrative of humiliation and redemption explains why it reacts in a confrontational manner to perceived slights to China's regional authority, as every challenge to China's territory constitutes a threat to China's continual redemption, which ultimately undermines the party's claim to power.

US policymakers generally understand that China uses cultural narratives to justify its own pursuit of power. Scholars, too, have demonstrated the increased prominence of cultural justifications for Chinese foreign policy.[54] However, analysts have not yet realized that national renewal is not an isolated hegemonic ambition–it is intertwined with China's understanding of an international community. Xi's GCI advocates a vision of harmony and cooperation between all civilizations globally. This idea builds directly upon China's own civilizational ethos, which the CCP advances by stating, "Over the past 5,000 years, people of all ethnic groups in China, with diligence and wisdom, have created a splendid civilization and built a unified multi-ethnic country." [55] Therefore, the possibility of global cooperation is deeply tied to China's own ability to preserve a unified yet diverse civilization. This is especially true upon considering China's isolation in the eons prior to its "Century of Humiliation," which made it such that its understanding of a harmonious world was mostly predicated on the ability to preserve internal and regional stability.

However, as a result of the fractures of China's past—territorial, political, and ideological—China is not a unified, peaceful, multi-ethnic country. This very fact undermines China's vision for global cooperation. Accordingly, China's internal repression, as well as its increasing assertiveness in the South China Sea, Taiwan, and Hong Kong, can be seen as attempts to retroactively forge a united "Chinese" identity from the complex identities that marked China's history, and then to project that unity outward as justification of its proposed harmonious global order.

Moreover, the fracture of China's own identity is deeply tied to its relationship with the global order: during the "Century of Humiliation," internal conflict in China was incited by foreign intervention, and China's ensuing civil war created a historical rupture not only in its own identity, but also in its relationship with the global order, as the PRC was

[50] Xiang Bo, "Backgrounder: Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era," Xinhua, *NPC & CPCC Annual Sessions 2018*, March 17, 2018, http://www.xinhuanet.com/english/2018-03/17/c_137046261.htm.

[51] David Bandurski, "And Then There Were Five," China Media Project, Dec. 29, 2021, https://chinamediaproject.org/2021/12/29/and-then-there-were-five/.

[52] The State Council Information Office of the People's Republic of China, "Xi Jinping Thought on Culture to serve as source of strength for national rejuvenation," Xinhua, Oct. 11, 2023, http://english.scio.gov.cn/topnews/2023-10/11/content_116737031.htm.

[53] Alison A. Kaufman, *The "Century of Humiliation" and China's National Narratives*, testimony before the U.S.-China Economic and Security Review Commission, Hearing on "China's Narratives Regarding National Security Policy," Mar. 10, 2011, CNA, China Analyst.

[54] Alessandra Cappelletti, "The 'Construction' of Chinese Culture in a Globalized World and Its Importance for Beijing's Smart Power: Notes and Concepts on a Narrative Shift," *Working Papers on East Asian Studies*, no. 115 (Duisburg: University of Duisburg-Essen, June 2017), https://hdl.handle.net/10419/162559.

[55] Information Office of the State Council of the People's Republic of China, "China's Peaceful Development," white paper, Sept. 6, 2011, https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm.

diplomatically isolated following the war. Resultantly, China's "national rejuvenation," which attempts to build a vision of its own past free from violence and fracture, also attempts to retroactively smooth over the fracture in China's foreign relations by rhetorically constructing a collaborative global order in which it was unproblematically integrated. Therefore, the same principle that guides China's aggressive foreign policies is also tied to its ideal of global harmony.

This is evident in Wang Yi's February 2025 UNSC speech, where he stated, "Chinese representatives were the first to solemnly sign the UN Charter, writing with a Chinese calligraphy brush an important chapter in world history."[56] This statement asserts China as an integral and foundational partner in building the international system with the UN at its helm, and attempts to demonstrate China's commitment to a shared global future. Yet, the UN charter was actually signed by the ROC, not the PRC. Thus, the CCP's claim that Taiwan is a part of China is an integral part of its claim regarding its role in the collaborative international system with the UN at its helm.

Accordingly, Xi falsely portrays Taiwan as a willing proponent of unification with statements like, "All of us, compatriots on both sides of the Taiwan Strait, must come together and move forward in unison."[57] Even as China's actions toward Taiwan become increasingly aggressive, it clings to the notion of peaceful reunification, which would retroactively validate a Chinese identity free from the historical rupture of the Century of Humiliation and the ensuing war that led to the split between the PRC and the ROC. Furthermore, by pushing a utopian version of its historical identity that is free from violence, China's "rejuvenated" identity also constitutes an erasure of the tumult it experienced at the hands of the global community, enabling statements like Yi's, which portray China as a founding member of the current international order. Therefore, even as China jeopardizes its own call for global community through its regional aggression, this same aggression is in the pursuit of a "rejuvenation" that would affirm China's ideal vision of a global order.

Likewise, with regard to the South China Sea, the PRC's 9-dash line effectively co-opts the ROC's original eleven-dash line map from 1947, demonstrating how SCS disputes, like China's aggression toward Taiwan, are connected with China's role in the international order. Furthermore, China argues that its sovereignty in the SCS was recognized (or at least uncontested) for centuries before Western colonial expansion into Southeast Asia, framing its own territorial ambitions as part of recovering territory lost during the "Century of Humiliation."[58] This is yet another effort to reconcile China's current status as a nation-state with its historical legacy. More importantly, it demonstrates an implicit belief that past injustices must be rectified so that a just future can be built.

China believes that its vision for an egalitarian future is connected with undoing the foreign exploitation that marked its own history. The Ministry of Foreign Affairs states that a truly collaborative global community must be free from "hegemonic and bullying acts."[59] It is this same logic that moves China to desire "rejuvenation" that undoes the "bullying" that China experienced in its past, with Xi stating, "we will never allow any foreign force to bully, oppress, or subjugate us." [60] Hence, China's very notion of global collaboration is linked to its own "renewal." For example, in a 2017 speech, Wang Yi stated, "General Secretary Xi Jinping has drawn the visionary conclusions that China has never been so close to the center of the world stage, so close to fulfilling the Chinese dream of national renewal, so confident and able to realize this goal, and so inter-connected with the rest of the international community." [61] The association between China's position on the world stage and the fulfillment of the "Chinese dream" demonstrates how national

[56] Embassy of the People's Republic of China in the United States of America, "Wang Yi Elaborates on China's View on Improving Global Governance," Embassy of the People's Republic of China in the United States of America, February 9, 2025, http://us.china-embassy.gov.cn/eng/zggs/202502/t20250220_11559106.htm.

[57] The State Council of the People's Republic of China, "Full Text: Speech by Xi Jinping at ceremony marking CPC centenary," Xinhua, July 1, 2021, https://english.www.gov.cn/news/topnews/202107/01/content_WS60dd8d8ac6d0df57f98dc459.html.

[58] Captain Aaron S. Wood, "Historically Mine: The (Potentially) Legal Basis for China's Sovereignty Claims to Land in the South China Sea," *Journal of Indo-Pacific Affairs: The Department of the Air Force's Professional Journal for America's Priority Theater*, March 8, 2021, https://www.airuniversity.af.edu/JIPA/Display/Article/2528218/historically-mine-the-potentially-legal-basis-for-chinas-sovereignty-claims-to/

[59] Ministry of Foreign Affairs of the People's Republic of China, "Self-Confidence and Self-Reliance, Openness and Inclusiveness, Fairness and Justice, and Win-Win Cooperation."

[60] The State Council of the People's Republic of China, "Full Text: Speech by Xi Jinping at ceremony marking CPC centenary."

[61] Ministry of Foreign Affairs of the People's Republic of China, "Forge Ahead under the Guidance of General Secretary Xi Jinping's Thought on Diplomacy."

renewal can only be realized co-constitutively with the construction of a global community.

China's regional aggression suggests that it desires global hegemony, or that its calls for a global community are dishonest. But Chinese rhetoric demonstrates China's belief that it can only promote true global harmony once it has rectified the rupture and the humiliation of its past–which exemplify the power politics and conflict that it seeks to transcend. However, seeing as this rupture was the result of power politics, China's militaristic and aggressive pursuit of national rejuvenation contaminates the very harmony it attempts to build. Chinese rhetoric advances the idea that the past must be rectified before the future can be built. However, China's narrative of rejuvenation attempts to bring back an idealized, unified past that never truly existed, and which is derived from dynastic identities that are incompatible with today's political systems. Because the past is embedded in the political systems of the present, China's notion of a harmonious global community paradoxically disrupts the collaboration forged through today's reigning international order, causing Chinese statements to be perceived as disingenuous.

US Retreat and the Combattiveness of China's Globalist Rhetoric

China has expanded the scope of its rhetoric and projected its power in a variety of aggressive ways, making it such that, despite the fact that China's stated principles have stayed the same, their reception has changed drastically. Yet the shift in US reception of Chinese rhetoric from China's initial rise to today also demonstrates the US' own turn away from the vision of a "global community," which subsequently led to an increasingly vehement Chinese defense of multilateralism. Whereas China expressed its values in veiled, pragmatic terms in the early stage of its integration into the international system, its defense of globalism has since become more overt, ideological, and combative. As a result of these shifts, China's foreign policy statements have come to be interpreted as evidence of its hatred toward the US–or of its intent to secure global hegemony–even while the content of Chinese rhetoric continues to emphasize global cooperation.

China went from adopting the global system to attempting to create multilateral engagement beyond that which was outlined in the system it originally joined. The United States, for its part, went from actively encouraging inclusive multilateralism and economic openness to becoming skeptical of these principles once China began using them in a way that was tied to its own growing influence. Export bans, high tariff rates, and other decoupling initiatives throughout the Biden and Trump administrations reflect this tendency as expressed toward China, while treaties like AUKUS, the Quadrilateral Security Dialogue, and US–Japan–ROK collaboration constitute a shift away from global multilateralism and toward bloc dynamics. Moreover, the US' recent withdrawal from initiatives and organizations like the Paris Climate Accord, the Iran Nuclear Deal, the UNHRC, UNESCO, and the WHO, indicate its increasing disdain for multilateralism irrespective of US-China competition.

A comparison of the US and China's speeches at the February 2025 UNSC debate on "Practicing Multilateralism, Reforming and Improving Global Governance"–a debate convened by China– clearly demonstrates the shift in the US' stance on multilateralism. Perhaps indicating an unwillingness to engage in a debate on a topic of China's choosing, the US' speech was short and curt. It contained no proactive suggestions for how the UN could work to establish a shared future, but rather consisted of repeated accusations against UN agencies. [62] In contrast, China's speech was optimistic and collaborative, expanding at length on buzzwords like "win-win cooperation" and "harmonious coexistence among civilizations." [63] It included proposals for revitalizing the United Nations-led global order through equitable, cooperative, and action-driven multilateralism. While the US ended with the paternalistic statement that the US–alone–would be "taking a hard look" at the UN's flaws, China concluded by saying that it was "ready to work with all parties." While the US called for the UN to return to a past version of itself, China called for it to "to

[62] Dorothy Shea, Chargé d'Affaires ad interim, "Remarks at a UN Security Council Open Debate on Practicing Multilateralism, Reforming and Improving Global Governance," delivered at the United Nations Security Council, New York, Feb. 18, 2025, US Mission to the United Nations website, https://usun.usmission.gov/remarks-at-a-un-security-council-open-debate-on-practicing-multilateralism-reforming-and-improving-global-governance/.

[63] Ministry of Foreign Affairs of the People's Republic of China, "Remarks by H.E. Wang Yi at the United Nations Security Council High-Level Meeting 'Practicing Multilateralism, Reforming and Improving Global Governance,'" 中华人民共和国外交部, Feb. 19, 2025, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202502/t20250219_11558555.html.

draw wisdom from history" to "open a new era for multilateralism."

Of course, the fact that China is more rhetorically collaborative than the US does not negate China's destabilizing global influence. Rather, the US' move away from multilateralism shows why China's defense of global cooperation has become increasingly vehement, and explains why rhetoric that is seemingly in favor of peaceful coexistence is taken to be a threat against US power. The increased combattiveness of Chinese rhetoric is exemplified by the concept of "wolf warrior diplomacy," by which expressions of aggressive nationalism were used to defend China's foreign policies. Examples include Chinese politician Zhao Lijian's tweet of a conspiracy theory suggesting the US Army had caused COVID-19, and insults lobbed at Australia in the Global Times after Australia called for an inquiry into the origins of COVID-19. [64] In truth, this type of diplomacy was only exercised by a few Chinese officials, and is currently in decline. [65] However, underlying this term is a real and more permanent turn in Chinese rhetoric toward forceful and accusatory defenses of multilateralism, often viewed as veiled threats against the United States.

As a result of the United States' increasing protectionism, China's defense of multilateralism became more accusatory, even as its principles stayed the same. This is because, today, there are tangible conflicts to which China's statements accord, while the US' withdrawal from multilateralism makes it such that any vigorous defense of multilateralism appears as an attack to the US. During China's rise, vague statements regarding the value of "democratized international relations" were inoffensive to dominant global powers, and could even seem to imply the CCP's endorsement of China's own eventual democratization. Yet, today, the actual implications of such "democratization" have become far more apparent with statements like, "Any act of bullying, trickery or extortion is a flagrant violation of the basic norms of international relations," [66] and, "Double standards should be rejected, and still less should human rights be used as an excuse to interfere in other countries' internal affairs."[67] By harshly delimiting the actions that don't accord with China's preferred mode of international engagement, China has not deviated from its original values, which were open to ambiguous interpretation, but rather has set down a specific interpretation of these values with regard to the international conflicts with which it has become embroiled.

As a result, China's defense of globalization has become more vehement, with Wang Yi stating, "We firmly choose openness over isolation" and arguing that protectionist tendencies and decoupling are " against the trend of the times."[68] While China's past advocacy for openness was aligned with a trend of increasing openness globally, it is no longer–and therefore, it now appears as a challenge to the United States' policies. Similarly, China's arguments against power politics once primarily referred to its own aspirations to become "a responsible big country playing a constructive role in international affairs, which neither seeks hegemony or leadership of the world." [69] However China's current invectives against power politics, when accompanied by its own regional aggression, are interpreted as direct attacks on the United States.

For example, CCP theoretician Liu Jianfei stated in a 2021 article that China "must strive to build the broadest possible 'united front against hegemony'" and that "We must wage a reasonable, beneficial, and measured struggle….The purpose of this struggle is to promote Sino-US cooperation while safeguarding national interests, not to engage in a confrontation or a feud with the US."[70] Despite his stress on US-China cooperation, Jianfei's article was used by the Atlantic Council–an organization supporting the US' global engagements–to demonstrate that "Chinese leaders often define them [Xi Jinping's GDI and GSI] in terms

[64] S. Yuan, "Tracing China's Diplomatic Transition to Wolf Warrior Diplomacy and Its Implications," *Humanities and Social Sciences Communications* 10 (2023): 837, https://doi.org/10.1057/s41599-023-02367-6.
[65] Duan Xiaolin and Liu Yitong, "The Rise and Fall of China's Wolf Warrior Diplomacy," *The Diplomat*, Sept. 22, 2023, https://thediplomat.com/2023/09/the-rise-and-fall-of-chinas-wolf-warrior-diplomacy/.
[66] Ministry of Foreign Affairs of the People's Republic of China, "Remarks by H.E. Wang Yi at the United Nations Security Council High-Level Meeting 'Practicing Multilateralism, Reforming and Improving Global Governance.'"
[67] Ministry of Foreign Affairs of the People's Republic of China, "Proposal of the People's Republic of China on the Reform and Development of Global Governance," Sept.13, 2023, https://www.mfa.gov.cn/eng/zy/gb/202405/t20240531_11367498.html.
[68] Ministry of Foreign Affairs of the People's Republic of China, "Self-Confidence and Self-Reliance, Openness and Inclusiveness, Fairness and Justice, and Win-Win Cooperation," 中华人民共和国外交部, Jan. 9, 2024, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312291.html.
[69] Bijian Zheng, *China's Peaceful Rise: Speeches of Zheng Bijian 1997–2005* (Washington, DC: Brookings Institution Press, 2005), 7, https://ebookcentral.proquest.com/lib/princeton/detail.action?docID=267610.
[70] 刘建飞, "新时代中美关系的发展趋势," 爱思想, Sept. 23, 2021, https://www.aisixiang.com/data/128700.html.

of great power competition." [71] Indeed, Jianfei's article does mention a "grand game" that "concerns China's national destiny, the United States' hegemonic status, and, more importantly, the future of humanity," which sounds incredibly similar to the notion of great power competition that dominates Western understandings of international relations. However, Jianfei's grand game does not state Chinese global domination as its end, but rather proclaims a desire for "peace, development, [and] win-win cooperation" rather than "Cold War confrontation."

China's attacks against the US often come through calls for "true multilateralism," which implies that the United States' vision of multilateralism is false. This same idea is expressed by Jianfei, when he advances the perplexing concept of a "struggle" with cooperation as its ultimate goal. China's apparent weaponization of globalist rhetoric is a surface indicator of a geopolitical contest on how geopolitics itself ought to operate. While the notion of "true multilateralism" constitutes a challenge to the US, it is a challenge that cannot be understood under the framework of realist great power competition–and, in fact, one which contests that very framework.

Arriving at China's Conception of International Relations

Under a realist conception of IR, China's foreign policy rhetoric would be a way of masking or complementing its pursuit of hard power. However, internal Chinese documents frame multilateralism as an end in itself, not merely an instrument for China's own influence. Thus, there is a fundamental disjunction between China's advocacy for multilateralism and US interpretation of these statements. Several developments explain this disjunction. Primarily, China's current call for a global community was once shared with the United States. But, China shifted from describing its own aspirations to prescribing a global order entangled with its own development, such that ideals which were once seen as benign now appear as a threat. Meanwhile, China's pursuit of "national rejuvenation" has linked the realist implications of its actions to a vision of national and international harmony, in an attempt to forge a coherent identity from the rupture of the past, creating a utopian vision of globalism that cannot be fulfilled. Following the US' subsequent retreat from the idea of a collaborative global community, China denounced power politics with a vehemence that was itself interpreted as a challenge to US power, reflecting the US' divergence from the very aspirations that were represented by the international order that China initially joined.

Accordingly, the US interprets China's call for collaboration as evidence of its revisionist intentions. This aligns with the broader trend by which China's forceful support for a form of multilateralism intertwined with its own rise has seemingly contaminated the concept of multilateralism itself, such that its calls for closer collaboration have become supposedly indicative of its ambition to destroy the global order. In reality, China is neither an innocent supporter of international collaboration, nor an entirely revisionist power. Rather, while China actions and words can–and have– been used to support both a realist and an institutionalist conception of its intentions, they arise from a cultural, historical, and intellectual narrative of national and global identity that defies both conceptions. Meanwhile, US perceptions of China's actions are shaped not only by China's current ideology and practices, but also by the shifts in power that would necessarily accompany a multipolar order, the US' own retreat from multilateralism, and China's fractured history.

Within this context, the difference between cooperation and competition is blurred. China aligns itself with the idea of global peace and cooperation, while associating the United States with an outdated model of power politics. For China, this indeed constitutes a competition. The way that this competition is conducted should be critically interrogated, and its trajectory does ultimately threaten the United States' global leadership. However, China's "grand game" occurs not on the level of material wealth or power, but rather on a level of how international relations ought to operate. This type of game cannot be neatly explained with either an account of Chinese behavior as being a cooperative player or a revisionist power, seeing as Chinese foreign policy seeks primarily to challenge the manner in which IR is conducted, rather than merely achieving greater gains under an existing system of international relations.

[71] Atlantic Council, "How Beijing's Newest Global Initiatives Seek to Remake the World Order."

This is evident when Wang Yi posits "win-win cooperation" as "a major innovation in the theory and conduct of major-country diplomacy." [72] Moreover, while Western schools of IR were conceived under a context of competing European states, reliant on an Enlightenment conception of humans as rational egoists, and solidified by thinkers in the post-WWII international order, Chinese thought was formed under a far different context, and the Chinese mainland itself was, for decades, not even a part of the international system established after WWII. The understanding of China as a hegemonic power rests on the realist assumption that states are revisionist powers that desire to maximize their own power through establishing hegemony. Yet, this understanding is incomplete because it fails to consider China's self-understanding: while China's actions have significantly revised the global order, China cannot be classified as "revisionist" in the realist sense, given that it conceives of its own foreign policy in different theoretical terms. China does not make sense of itself as a rational, unitary state, but rather as an age-old civilization that has fostered harmonious coexistence between different identities while continuously adapting to modern circumstances. Though this understanding is itself flawed and unrealistic, it holds much more influence than Western IR theories, which China emphatically rejects.

US policymakers' mistaken predictions regarding China may be attributed to the disjunction between the analytical frameworks they applied to China and the frameworks that guided China's own negotiation of identity. In 2001, Bill Clinton predicted that China's WTO membership would lead to greater democratization, stating, "By joining the WTO, China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished values: economic freedom." [73] But Clinton was wrong: as China grew more economically powerful, its government became more autocratic. Up until 2014, scholars like Nuno Montiero articulated the commonly held belief that the US would be able to accommodate China's rise while maintaining its own unipolarity stating, "If the unipole [in this case, the US] accommodates the continuing growth of rising economic powers, it gives them fewer incentives to militarize."[74] This was proven false when China continued to develop its military, in spite of the United States' relative support for its integration into the economic system.

Both Clinton and Montiero's predictions demonstrated an insufficient understanding of how China navigated its national identity through concepts of redemption and rejuvenation. Today, in contrast, US consensus has shifted, and is better summarized by Mearsheimer's 2021 statement: "Had US policymakers during the unipolar moment thought in terms of balance-of-power politics, they would have tried to slow Chinese growth…Engagement may have been the worst strategic blunder any country has made in recent history."[75]

The United States' move toward a more hawkish posture toward China has been framed as a way of rectifying this blunder. For example, Secretary Pompeo has said, "We imagined engagement with China would produce a future with a bright promise of comity and cooperation… only to see Beijing bite the international hands that were feeding it."[76] This implies that past US policy was a mistake, which can only be fixed through a turn toward containment. In reality, however, Pompeo's assessment of China is just as flawed as those of previous analysts and policymakers because it does not grapple with China's self-understanding. Just as the naive assumption that China would democratize ignored China's conception of identity, the US' current attempts to confront China under the framework of realist great power competition also rely on a failure to understand that China's seemingly revisionist actions are intertwined with its calls for collaborative coexistence, and that both are rooted in the same flawed attempt to rectify historical violence.

[72] Ministry of Foreign Affairs of the People's Republic of China, "Build a New Type of International Relations Featuring Win-Win Cooperation."
[73] "Full Text of Clinton's Speech on China Trade Bill," *The New York Times Archive*, March 9, 2000, https://archive.nytimes.com/www.nytimes.com/library/world/asia/030900clinton-china-text.html.
[74] Monteiro, Nuno P. "Introduction." Chapter. In *Theory of Unipolar Politics*, 1–27. Cambridge Studies in International Relations. Cambridge: Cambridge University Press, 2014.
[75] John J. Mearsheimer, "The Inevitable Rivalry: America, China, and the Tragedy of Great-Power Politics," *Foreign Affairs*, Oct. 19, 2021, https://www.foreignaffairs.com/articles/china/2021-10-19/inevitable-rivalry-cold-war.
[76] Michael R. Pompeo, "Communist China and the Free World's Future," speech, Richard Nixon Presidential Library and Museum, Yorba Linda, California, July 23, 2020, US Department of State (archived content, 2017–2021), https://2017-2021.state.gov/communist-china-and-the-free-worlds-future-2/index.html.

Humanity at a Crossroads: China's Conflicted Vision for Global Governance

This paper has, thus far, demonstrated how China arrived at its present conception of international relations. However, given that China is attempting to establish a "Global Community of Shared Future," it is equally, if not more important, to understand how China's current rhetoric is a performative act that doesn't just describe the world, but attempts to shape it. Today, the global community is caught between a version of multilateralism that has become entangled with power politics and an existing institutional infrastructure that no longer represents its own initial principles. China, too, is aware of this crossroads, and its foreign policy rhetoric indicates its overlapping and conflicting attempts to navigate the future of global governance. An understanding of these attempts is essential for policymakers who wish to shape effective policy with regard to China and to global governance more broadly.

Chinese speeches and articles regarding global governance often begin by assuming an existential dilemma for the global order. In a 2023 speech at the World Political Parties High-level Meeting, Xi stated, "Humanity's modernization process has once again reached a crossroads of history. Polarization or common prosperity? Pure materialistic pursuit or coordinated material and cultural-ethical advancement? Draining the pond to catch the fish or creating harmony between man and nature? Zero-sum game or win-win cooperation?"[77] China's white paper on Xi's "Global Community of Shared Future" begins by asserting that humanity is at a crossroads because the planet "is facing immense and unprecedented crises, both known and unknown, both foreseeable and unforeseeable."[78] Similarly, a 2022 article in QSTheory, the CCP's theoretical journal, states, "Our world and times are changing in the ways unseen in history, bringing unprecedented challenges for humanity. The world is again at a pivotal crossroads waiting for people to make the correct choice."[79]

Countless other documents, from China's 2016 Policy Paper on Latin America and the Caribbean, to Xi Jinping's announcement of the Global Civilization Initiative, to Xi's speech at the 2021 Boao Forum, to Wang Yi's statement at the 2024 BRICS forum, begin by setting the scene of the global order in flux, torn between principles such as "hostile confrontation or mutual respect, seclusiveness and decoupling or openness and cooperation, zero-sum game or win-win results."[80] Xi stated at the CPC and World Political Parties Summit: "The choice is in our hands and the responsibility falls on our shoulders."[81] In recent years, this responsibility has been posed in increasingly dire terms: for example, at the 2024 BRICS summit, China stated, "The world is experiencing disorder, slowing growth, uneven development, and a loss of focus in governance."[82]

China's constant framing of humanity at a crossroads is interesting for several reasons. Primarily, although it purports to articulate a choice facing all of humanity, it actually reflects the uncertainties faced by China's own leadership: will enough of the world buy into China's vision of a cooperative order, or will China's attempts at establishing a "Global Community" be increasingly perceived as a threat to be contained? Moreover, China's statements on humanity's dilemma do not only reveal the challenge that it faces, but are themselves a way of negotiating this challenge, as they already assume a united global community that faces a collective obligation, when, in reality, such a community does not exist. Amid China's own dilemma, this rhetoric functions as a performative act, aiming to push the global order toward China's ideal of a "Global Community" by contextualizing it in particular ways. But ultimately, this serves as another demonstration of the rupture implicit to China's own identity–and to its attempts at creating a global community from an existing order in which it was never entirely a part.

[77] The State Council Information Office of the People's Republic of China, "Full text of Xi Jinping's keynote address at the CPC in Dialogue with World Political Parties High-level Meeting," Xinhua, March 16, 2023, http://english.scio.gov.cn/topnews/2023-03/16/content_85171478.htm

[78] The State Council Information Office of the People's Republic of China, *A Global Community of Shared Future: China's Proposals and Actions*, White Paper (Beijing: State Council Information Office, Sept. 26, 2023), https://english.www.gov.cn/news/202309/26/content_WS6512703dc6d0868f4e8dfc37.html.

[79] 秋平, "同世界人民携手开创人类更加美好的未来," *QS Theory*, Dec. 12, 2022, http://www.qstheory.cn/international/2022-12/12/c_1129201645.htm

[80] The State Council Information Office of the People's Republic of China, "Full text of Xi Jinping's keynote address at the CPC in Dialogue with World Political Parties High-level Meeting."

[81] Ibid.

[82] Wang Yi, *Working Together for Peace, Development and a Brighter Future for BRICS*, speech delivered at the Meeting of BRICS Ministers of Foreign Affairs/International Relations on the Margins of the 79th Session of the United Nations General Assembly, UN Headquarters, New York, Sept. 26, 2024, Ministry of Foreign Affairs of the People's Republic of China, a https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202412/t20241218_11497613.html.

Continued Appeals to the Western Order

US policymakers today tend to emphasize how China "hates the West." For example, in a 2023 hearing on China's global influence before the US-China Economic and Security Review Commission, several members mentioned that China promotes "Anti-US and anti-Western sentiment," especially in its discourses with developing countries.[83] This may partially be accounted for by how China's criticisms of "power politics" are increasingly perceived as a desire to topple the Western order. Yet a deeper analysis of Chinese rhetoric reveals that China actually attempts to legitimize its "global community" and rhetorically usher this worldview toward success by emphasizing its positive relations with the existing international system, which is used to ground China's nascent vision for global governance.

For example, at the 2025 UN Security Council meeting on global governance, Wang Yi began with the following statement: "Eighty years ago, our forefathers, with strenuous struggle and tremendous sacrifice, won the great victory of the Anti-Fascist war."[84] Indeed, China suffered the third largest number of military casualties in WWII (after Russia and Germany),[85] playing an important role in initially stalling Japanese troops and enabling the eventual merge between the wars in Europe and Asia.[86] However, the Chinese Civil War 1949–and the subsequent worsening of China's relationship with Western, democratic countries–meant that China was never fully incorporated into the Allied victory or the ensuing postwar order. Yet, with his reference to shared "forefathers," Yi asserted that China had been a full member of the postwar coalition. Additionally, China's framing of WWII as the "Anti-Fascist war" attempts to forge a common identity between China and the West through the construction of a shared ideological enemy. Yi further stated, "To chart our course for the future, we should not forget why we started out in the beginning," appealing to WWII as a common "beginning" between China and the other members of the UNSC, even though not all UNSC members would actually concur with such a notion. This demonstrates how China goes to great lengths to emphasize its ties to the existing international system, which indicates that these ties hold great importance for China's role within global governance.

Furthermore, Chinese foreign policy rhetoric often establishes its authority by appealing to Western sources, revealing a tacit acceptance of the dominance of Western thought. For example, Tian Dewen of Renmin University–a top university whose graduates frequently go on to work for the CCP–advocated for multilateral cooperation by citing Western scholarship: "As one Western scholar put it, interest-based conflicts, while aggressive, are often more manageable than ideological ones because they are rooted in tangible, negotiable issues."[87] Even a 2023 CCP communiqué decrying "US Hegemony and its Perils" did not cite any Chinese thinkers, but rather entirely supported its argument with books and articles by American scholars, policymakers, and former US President Jimmy Carter.[88] Hence, even as China denounces the United States' policies, it implicitly upholds the superiority of American scholarship and commentary. Rather than denouncing Western ideas, Chinese rhetoric uses established Western frameworks to legitimize its own arguments. By doing this, China makes it sound as if lucid American scholars and policymakers agree with China about the harm of "power politics" and the benefits of "true multilateralism." Thus, once again, rhetoric is performative: it attempts to assert the notion of consensus between US and Chinese thought in a political environment where such consensus is actually sparse.

This is especially apparent in how, despite geopolitical tensions, China continues to emphasize the positive aspects of its bilateral relationship with the US. For example, Chinese academics like Wu Xinbo have consistently argued against a "zero-sum" model of international relations in globally oriented

[83] US-China Economic and Security Review Commission, *Hearing on China's Global Influence and Interference Activities*, 118th Cong., 1st sess., March 23, 2023, Dirksen Senate Office Building, Washington, https://www.uscc.gov/sites/default/files/2023-05/March_23_2023_Hearing_Transcript.pdf.

[84] Ministry of Foreign Affairs of the People's Republic of China, "Remarks by H.E. Wang Yi at the United Nations Security Council High-Level Meeting 'Practicing Multilateralism, Reforming and Improving Global Governance,'" 中华人民共和国外交部, Feb. 19, 2025, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202502/t20250219_11558555.html.

[85] "Research Starters: Worldwide Deaths in World War II," The National WWII Museum | New Orleans, https://www.nationalww2museum.org/students-teachers/student-resources/research-starters/research-starters-worldwide-deaths-world-war.

[86] Rana Mitter, "Forgotten Ally? China's Unsung Role in World War II," CNN, Sept. 1, 2015, https://www.cnn.com/2015/08/31/opinions/china-wwii-forgotten-ally-rana-mitter.

[87] Tian Dewen, "Three Takes on a Multipolar World," *China-US Focus*, March 14, 2025, https://www.chinausfocus.com/foreign-policy/three-takes-on-a-multipolar-world.

[88] Ministry of Foreign Affairs of the People's Republic of China, "US Hegemony and Its Perils," 中华人民共和国外交部, https://www.mfa.gov.cn/eng/zy/gb/202405/t20240531_11367483.html.

forums and publications like China-US Focus[89] and the US Institute of Peace.[90] Publications based in Chinese universities, such as the *China Quarterly of International Strategic Studies*, similarly analyze US-China relations with articles such as "Why Are China and the US Not Destined to Fall into the Thucydides' Trap?"[91] and "Forty Years of Win-Win Cooperation,"[92] demonstrating China's attempt to speak its vision of a harmonious "Global Community" into existence. CCP documents also justify the alleged success of China's "new type of international relations" by citing US buy-in. For example, a 2017 speech on Xi Jinping's "thought on diplomacy" mentioned, before all else, successful meetings with Obama and Trump to demonstrate how China's model of win-win relations between major countries was gaining global traction, even when the respective American administrations were less optimistic regarding their partnerships with China.[93]

Even China's criticisms of the United States demonstrate an underlying need for legitimation from the West. Despite China's stated hatred of "hegemony," which serves as a barbed attack against the United States, China's official rhetoric often centers around cooperation and refrains from calling out the United States by name. Most Chinese statements aimed against the US are made in the abstract: for example, Xi's 2021 statement that "We should stand opposed to the practice of unilateralism disguised as multilateralism and say no to hegemony and power politics."[94] Alternatively, China includes criticisms of the US in its general framing of humanity at a crossroads, with statements such as "Global economic recovery remains sluggish, yet protectionist tendency is on the rise."[95] While these statements refer to US policies, they use vague language to avoid direct confrontation.

China does, in a few instances, criticize the US overtly, such as in its communiqué condemning "US hegemony." Yet this document states, "The hegemonic, domineering, and bullying practices of using strength to intimidate the weak, taking from others by force and subterfuge, and playing zero-sum games are exerting grave harm. The historical trends of peace, development, cooperation, and mutual benefit are unstoppable."[96] The "unstoppability" of "peace" and "cooperation" imply that, eventually, such principles will prevail internationally– which necessitates that they extend to the US-China relationship. Indeed, this document ends with the following: "The United States must conduct serious soul-searching. It must critically examine what it has done…and quit its hegemonic, domineering and bullying practices."[97] There is no statement regarding what China will do if the US does not change in the desired manner, or how this change will allegedly take place. Rather, the imperative given to the US, as well as the alleged "unstoppability" of global cooperation, underscore the notion that peaceful collaboration between China and the West is inevitable, and that the US will miraculously stop trying to contain China out of its own "soul-searching."

The US often portrays China as an enemy, driven by its inherent ideology and identity, with statements like, "Two of the greatest drivers of instability [Russia and China] in the world today hold veto power at the Security Council. That is what we are up against."[98] In contrast to this framing, China's continual reliance on the notion of inevitable reconciliation with the US is even more striking. Furthermore, the US' hostile perception of China further underscores the inaccurately optimistic and deterministic quality of Chinese rhetoric, which claims that cooperation is "unstoppable" while seemingly ignoring geopolitical realities. Hence, Chinese rhetoric does not always

[89] Wu Xinbo, "No Trust, Global Consequences," China-US Focus, June 30, 2025, https://www.chinausfocus.com/foreign-policy/no-trust-global-consequences.
[90] Wu Xinbo, *Managing Crisis and Sustaining Peace between China and the United States*, Peaceworks no. 61 (Washington, DC: United States Institute of Peace, April 2008), https://www.usip.org/sites/default/files/2019-06/pw61_finalapr16.pdf.
[91] Ling Shengli and Lv Huiyi, "Why Are China and the US Not Destined to Fall into the 'Thucydides' Trap'?" *China Quarterly of International Strategic Studies*, Winter 2018, 495–514, https://www.worldscientific.com/doi/10.1142/S2377740018500288?srsltid=AfmBOoqWmrXk01Glw_nc8jGovsG3v4ik3Jm4aWWzaRnRkg8N5Bq2rXnL.
[92] Tao Wenzhao, "Forty Years of Win-Win Cooperation: China-US Relations in Retrospect and Prospect," *China Quarterly of International Strategic Studies*, Winter 2018, 481–493, https://www.worldscientific.com/doi/10.1142/S2377740018500288?srsltid=AfmBOoqWmrXk01Glw_nc8jGovsG3v4ik3Jm4aWWzaRnRkg8N5Bq2rXnL.
[93] Ministry of Foreign Affairs of the People's Republic of China, "Forge Ahead under the Guidance of General Secretary Xi Jinping's Thought on Diplomacy."
[94] The State Council Information Office of the People's Republic of China, "Full text of Xi Jinping's keynote address at the CPC in Dialogue with World Political Parties High-level Meeting."
[95] Ministry of Foreign Affairs of the People's Republic of China, "Self-Confidence and Self-Reliance, Openness and Inclusiveness, Fairness and Justice, and Win-Win Cooperation," 中华人民共和国外交部, Jan. 9, 2024, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312291.html.
[96] Ministry of Foreign Affairs of the People's Republic of China, "US Hegemony and Its Perils."
[97] Ibid.
[98] Dorothy Shea, Chargé d'Affaires ad interim, "Remarks at a UN Security Council Open Debate on Practicing Multilateralism, Reforming and Improving Global Governance."

describe reality: it instead attempts to usher in the utopian global harmony that it espouses, even when such harmony does not exist.

China's continued appeals to the existing order are most obvious in its constant affirmation of the importance of the United Nations, which is especially distinct in contrast with the US' criticisms of the UN and its values. For example, China's formal Law on Foreign Relations, which guides the party's approach to foreign policy, and was last updated in 2023, emphasizes that China will safeguard "the international system with the United Nations at its core, the international order underpinned by international law, and the basic norms governing international relations based on the purposes and principles of the UN Charter."[99] In countless speeches, such as a statement at the 2024 Summit of the Future, Wang Yi stresses the importance of defending these same principles.[100] Furthermore, the GDI lists the United Nations' 2030 Agenda for Sustainable Development as its primary objective,[101] and upholding the UN Charter is one of the primary commitments in the GSI.[102] Ultimately, despite the US' intense skepticism toward China, China itself is not ready to let go of the West: it still hopes to emphasize its connections to the West so as to legitimize its vision for a global community.

China's Rhetorical Blurring

While China continues to appeal to the existing international order, it also uses rhetoric to pave the way toward a "civilizational" discourse, by which China's own extensive history and historical identity provide a new basis for global cooperation. This suggests that, while China still desires legitimacy from the existing global order, it acknowledges the ambivalent reception of its message, and thus seeks alternative ways to ground its "Global Community of Shared Future." Therefore, Chinese foreign policy rhetoric uses a number of terms that initially correspond to established concepts in the US-led international order, but which eventually both uphold and subvert these concepts. As a consequence, while Chinese policymakers seem to be acting in a manner antithetical to their words, their language use itself demonstrates China's efforts to adapt itself to the existing international order while also subtly reworking its discursive context through "rhetorical blurring."

This process manifests in China's usage of the term "democracy." Just prior to discussing the "democratization of international relations" in his 2005 article, Bijian stated, "China is strengthening its democratic institutions and the rule of law and trying to build a stable society based on a spiritual civilization…China will continue to advance until it becomes a prosperous, democratic, and civilized socialist country."[103] The proximity with which this article discussed internal democracy and democratic global interactions resulted in a blurred, ambiguous understanding of "democracy." Was Bijian arguing that China would advance until it played a role in a "democratic" global order? Or that China itself hoped to democratize? Rather than committing to a single meaning, these two meanings were connected such that there was no preferred interpretation. Additionally, Bijian implied that "democratic institutions" and the "rule of law" would be intertwined in their joint usage to achieve a "stable society," even though "rule of law" would later be invoked to secure Xi Jinping's control on a more loyal CCP–a development that bears little resemblance to democratic governance. Given the context of this article, which was meant to ease the way for China's integration into the international order, the allusions to democracy serve the purpose of affirming predictions, such as those of Clinton, that economic liberalization would compel China to become more politically democratic.[104] Yet, the framing of democracy as a step toward a stable society, rather than an end in itself, along with the usage of two separate meanings of "democratization," represents an effort to remain connected to the socialist ideology

[99] National People's Congress of the People's Republic of China, *Law on Foreign Relations of the People's Republic of China* (adopted June 28, 2023), http://en.npc.gov.cn.cdurl.cn/2023-06/28/c_898457.htm.

[100] Wang Yi, *Bearing in Mind Our Common Future and Jointly Building a Better Tomorrow*, speech delivered at the United Nations Summit of the Future, New York, Sept. 23, 2024, Ministry of Foreign Affairs of the People's Republic of China, https://www.mfa.gov.cn/eng/wjbzhd/202409/t20240924_11495643.html.

[101] Ministry of Foreign Affairs of the People's Republic of China, *Global Development Initiative — Building on 2030 SDGs for Stronger, Greener and Healthier Global Development (Concept Paper).*

[102] Ministry of Foreign Affairs of the People's Republic of China, "Implementing the Global Security Initiative to Build a World of Lasting Peace and Universal Security—Speech by H.E. Chen Xiaodong, Vice Minister of Foreign Affairs of the People's Republic of China, at the Session on the Global Security Initiative Of the Boao Forum."

[103] Zheng Bijian, "China's 'Peaceful Rise' to Great-Power Status," *Foreign Affairs* 84, no. 5 (2005): 18–24, https://doi.org/10.2307/20031702.

[104] "Full Text of Clinton's Speech on China Trade Bill," *The New York Times Archive*, March 9, 2000, https://archive.nytimes.com/www.nytimes.com/library/world/asia/030900clinton-china-text.html.

that grants the CCP legitimacy while establishing a link between existing conceptions of democracy and the notion of a multipolar world.

In China's foreign policy rhetoric, the domestic and global versions of "democracy" are not disparate concepts; rather, they are implicated in each other. In Chinese, the term for "democracy" in Chinese rhetoric is *mín zhǔ* (民主), which quite literally means, "people-rule." *Mín* is a character that also appears in the phrase *rén mín* (人民), meaning "humanity," or "civilization." As a result, democracy is broadly construed as a mode of rule that aligns with "humanity," making it such that China's vision of a "Global Community of Shared Future" is often promoted in concert with terms like "democracy" and "human values" even though it does not abide by Western understandings of either term. The CCP enthusiastically co-opts these terms, which are central to the Western liberal order, demonstrating a continual desire to be accepted and adopted into the established order. Yet, given that Chinese rhetoric will never fully be accepted by the US, China simultaneously uses these terms as stand-ins for a broader sense of global wellbeing that sidesteps a Western liberal understanding of individual rights.

For example, a 2023 Ministry of Foreign Affairs communiqué states, "Human rights for all is the shared pursuit of humanity. People's happiness is the biggest human right," [105] thereby blurring the definition of human rights such that it refers to a much broader notion that encompasses all human wellbeing. Under this conception, Chinese rhetoric on human rights frequently emphasizes development, peace, and pragmatism, even while acknowledging principles like democracy and freedom, which can be seen as China's attempt to showcase itself as a cooperative player in the international order while subtly shifting the terms that matter most. Accordingly, the 2023 communiqué includes the following: "We need to jointly advocate humanity's common values of peace, development, equity, justice, democracy and freedom." Likewise, Xi Jinping stated in 2015, "Peace and development are our common cause, equity and justice our common aspiration, and democracy and freedom our common pursuit," [106] and in 2020, "Peace, development, equity, justice, democracy and freedom are the common aspirations of all peoples." And, at a press conference in 2021, spokesperson Wang Wenbin lamented an inadequate global focus on "economic, social and cultural rights and the right to development." [107] The order in which China presents and advocates for human values demonstrates the relative prioritization of collective stability and wellbeing over individual autonomy or self-realization; this aligns both with the centralization of power in China's domestic governance, and with China's broader emphasis on egalitarian international relations, by which the ambitions of individual countries must be subdued to establish a peaceful global order.

China's proposed global community, and the "democratized" system of international relations that it would operate on, is an attempt to build a *harmonious* global order, which can be understood through Xi's statement, "Dialogues and exchanges among civilizations should be encouraged to do away with ideological prejudice and distrust, and make human society more harmonious and the world more colorful." [108] This implies the possibility of a global community in which difference is able to exist harmoniously under the banner of shared humanity. However, China exists within a global order based upon nation-states, which, in Western IR theories, are presumed to be rational, unitary, and self-serving. In such a system, China's vision of a harmonious global order would not be possible or believable. Moreover, even while China spearheads a call for a global community, its own history and identity have never been fully reconciled with the international order that it entered toward the beginning of the 21st century– this jeopardizes China's own ability to be a leader. Accordingly, even while professing deep support for institutions like the United Nations, rhetorical blurring in Chinese speeches demonstrates a shift toward a different discourse that connects to China's

[105] Ministry of Foreign Affairs of the People's Republic of China, "Proposal of the People's Republic of China on the Reform and Development of Global Governance."

[106] Xi Jinping, "Working Together to Forge a New Partnership of Win-Win Cooperation and Create a Community of Shared Future for Mankind," remarks at the General Debate, 70th Session of the United Nations General Assembly, New York, Sept. 28, 2015.

[107] Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference," 中华人民共和国外交部, Nov. 2, 2021, https://www.fmprc.gov.cn/eng./xw/fyrbt/lxjzh/202405/t20240530_11347151.html

[108] Information Office of the State Council of the People's Republic of China, "China's Peaceful Development," white paper, Sept. 6, 2011, https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm.

domestic identity-building while sidestepping China's fraught relationship with the international order. This discourse takes shape in China's usage of shared cultures to create bridges between "civilizations."

Toward a "Civilizational" Discourse

Seeing as China's domestic intentions and aspirations cannot be adequately described through Western IR frameworks, its endeavors at building a "global community" have also begun to make use of a different "civilizational" framework that, in its eyes, align better with its national realities and its quest for national rejuvenation.

Today's IR system arose through the concepts of territorial integrity and sovereign states established through the Peace of Westphalia in 1648.[109] Yet China's own history did not endow it with the same conception of statehood as that which arose in Europe. Moreover, it was the Republic of China, led by Chiang Kai-shek, that initially signed on to the UN and the Bretton Woods system emerging from WWII.[110] Thus, the ensuing civil conflict that led to the PRC's takeover problematized China's ability to participate in international affairs as a sovereign, unitary actor. Though the PRC was eventually recognized by institutions such as the UN and the IMF, it has not been entirely historically represented by such institutions, or by the Westphalian principles underscoring them.

Given the PRC's troubled history with a version of international relations revolving around "countries," it chooses instead to make appeals to shared "civilization." For example, Beijing held a Ministerial Conference on Global Dialogue of Civilizations in July 2025, in support of Xi Jinping's four "joint initiatives" of "jointly advocating respect for the diversity of world civilizations, jointly advocating the promotion of common values of all mankind, jointly advocating attention to the inheritance and innovation of civilizations, and jointly advocating strengthening international cultural exchanges and cooperation point out the path for promoting exchanges and mutual learning among civilizations and promoting the progress of human civilization."[111] Notably, there is no discussion of countries or states; rather, Xi attempts to forge global unity by appealing to an ancient concept of civilization that transcends statehood. Such a framing draws attention to the notion that other countries are relatively new actors on "civilizational" terms. Moreover, by invoking the progress of "human civilization," Xi ties the broader concepts of "society" and "humanity" to China's civilizational identity. For example, when Wang Yi mentioned how Chinese representatives signed the UN charter, "writing with a Chinese calligraphy brush an important chapter in world history,"[112] the invocation of "world history" and a "Chinese calligraphy brush" imply that the UN is not the beginning of the international order, but rather a new chapter, whereas Chinese civilization has been long and storied.

Given China's perception of its own inadequate representation in the international system, the rhetoric of "civilization" grants it an alternate base of global authority not rooted in Western-dominated institutions. Indeed, the statements produced following China's plurilateral engagements–which can be seen as the stepping stones to its "Global Community of Shared Future"– often rhetorically emphasize connections that predate the establishment of international institutions. For example, in a speech given to the Chinese public prior to the China-CELAC Forum in May 2025, Yi stated, "As a proverb in the LAC countries says, 'United, we are invincible.' In China, we also have an old saying, "All must row to move a big boat.'"[113] Similarly, at the opening ceremony of the fourth China-Africa Economic and Trade Expo in June 2025, Yi closed his speech by stating, "As an African proverb goes, a friend is someone you share the path with."[114] These references to shared proverbs evoke a vague concept

[109] Meredith Loken Kelebogile Zvobgo, "Why Race Matters in International Relations," Foreign Policy, April 13, 2021, https://foreignpolicy.com/2020/06/19/why-race-matters-international-relations-ir/.

[110] Council on Foreign Relations, "How Does History Inform the Chinese Communist Party's Domestic and Foreign Policy Goals?," Council on Foreign Relations, March 30, 2023, https://education.cfr.org/learn/reading/how-does-history-inform-chinese-communist-partys-domestic-and-foreign-policy-goals.

[111] "凝聚促进人类和平与发展的合力--中国同国际社会携手践行全球文明倡议述评," 新华网, July 9, 2025, http://www.news.cn/20250709/3cfa701b308642e6ab75924516144086/c.html.

[112] Embassy of the People's Republic of China in the United States of America, "Wang Yi Elaborates on China's View on Improving Global Governance," Embassy of the People's Republic of China in the United States of America, Feb. 9, 2025, http://us.china-embassy.gov.cn/eng/zggs/202502/t20250220_11559106.htm.

[113] Ministry of Foreign Affairs People's Republic of China, "Planning Together for Development and Revitalization, Building Together a China-LAC Community with a Shared Future," 中华人民共和国外交部, May 14, 2025, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202505/t20250513_11622018.html.

[114] Ministry of Foreign Affairs People's Republic of China, "China and Africa: Together toward Modernization," 中华人民共和国外交部, June 12,

of civilizations that predate statehood. China does not actually share significant ties with Africa or Latin America dating back to before Chinese statehood, but Chinese rhetoric is a retroactive attempt to assert a concept of solidarity stretching beyond statehood, using a romanticized account of a shared past to justify a shared future.

China's attempt to build a "civilizational" narrative is also evident in its many initiatives that elevate cultural exchanges as part of a vision of shared humanity that transcends Western IR paradigms. China uses the term "people-to-people bonds" to frame its economic partnerships through the Belt and Road initiative, and "people-to-people diplomacy" has been a major feature of Chinese diplomacy, aimed at enhancing mutual understanding through cultural exchange. [115] In fact, China's rhetoric regarding dialogue between civilizations aligns with its broader policy of cultural diplomacy, by which it ardently promotes cultural exchange through initiatives like its Confucius Institutes, educational exchange programs, sporting events, and other culturally-centered initiatives. [116] Underpinning China's policies and statements is the notion that concepts like "humanity," "civilization," and "culture" predate the international order, and that institutions ultimately exist to serve these concepts.

A "civilizational" global discourse aligns with China's own "national reality," or at least with the reality that a "rejuvenated" China is trying to build. It links China's own rejuvenation to the dream of global harmony, further demonstrating how China's renewed militarism and its utopian vision for collaboration are interrelated. Furthermore, while it can be argued that China's appeal to "civilizations" undercuts its appeals to the existing order, these two types of appeals are complementary endeavors that try to bridge China's fractured historical identity with a global system in which it has never been fully a part. This is apparent from the fact that China's rhetorical appeals to civilizations often appear *within* the context of the UN and other multilateral institutions. China's nascent civilizational IR narrative has been interpreted as another strategic tool that ultimately grants China leverage over the West;[117] even when this leverage is framed as "soft power," the establishment of Chinese hegemony is still the ultimate implied purpose of soft power usage, meaning that analysis of China's soft power usage also insufficiently grapples with China's self-understanding. In reality, an understanding of China's conception of IR indicates that its civilizational narrative is the end, not the means. Each of China's contradictory actions and appeals aid in its pursuit of a civilizational narrative that connects its internal identity-building to the notion of a global community. But, seeing as China's internal quest for identity makes flawed use of history, its international appeals also rest on shaky foundations, which are revealed through China's performative use of rhetoric.

Rhetoric as a Performance of the Future: Optimism, Determinism and the "Trend of the Times"

China's unrealistically optimistic assertions about its relationship with the US and the Western order, as well as its attempts to invoke shared identities through a civilizational discourse, are part of a trend by which Chinese rhetoric serves as a deliberate effort to realize the global order it promotes. For example, China's UN speech on global governance includes the following statement: "China will work together with the rest of the international community to uphold true multilateralism and implement the GDI, the GSI and the GCI. Together, we will create a better future for humanity." [118] This assumes that the rest of the international community agrees with China on its initiatives, and presupposes the inevitability of collaboration. While the United States tends to overtly point out China's flaws as evidence of the impossibility of cordial relations– and has recently taken this same approach with regard to its gripes with the UN and multilateralism as a whole–China asserts that its foreign relations are amiable even when they are not. This suggests that China is aware that its vision for the global community, which is tied to its own national identity, would fail without global buy-in.

2025, https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202506/t20250617_11651824.html.

[115] Wang Chao, "People-to-People Diplomacy: A Propeller of Major-Country Diplomacy with Chinese Characteristics in the New Era," Chinese People's Institute of Foreign Affairs, Dec. 24, 2019, https://www.cpifa.org/en/article/1746.

[116] Eleanor Albert, "China's Big Bet on Soft Power," Council on Foreign Relations, Feb. 9, 2018, https://www.cfr.org/backgrounder/chinas-big-bet-soft-power#chapter-title-0-3.

[117] Aukia, J. "Struggling for Recognition? Strategic Disrespect in China's Pursuit of Soft Power." *East Asia* 36 (2019): 305–320. https://doi.org/10.1007/s12140-019-09323-9.

[118] Ministry of Foreign Affairs of the People's Republic of China, "Proposal of the People's Republic of China on the Reform and Development of Global Governance."

The actual reception of China's rhetoric and policies globally is incredibly mixed. For example, the fact that countries like Australia, Germany, and the UK joined the AIIB despite US discouragement reflects a degree of acceptance for China's economic agenda. Today, initiatives like the AIIB and BRI have continued to expand, gaining immense traction in the Global South, while coalitions like BRICS have issued strong support for China's vision of a multipolar global community. Simultaneously, partnerships like AUKUS and the Quad represent a growing consensus on containment in the Indo-Pacific, and, at US urging, NATO has picked up on the narrative that China is a revisionist threat, stating in 2024 that China's "attempts to undercut and reshape the rules-based international order are a cause for profound concern."[119] While more than 80 countries,[120] have signed on to the Group of Friends of the GDI, reception of the GSI and GCI have been less enthusiastic. It is not only US officials who believe Chinese rhetoric to be facetious– other countries also hold this position, especially when impacted by China's regional aggression.[121] And, while the US' recent protectionist policies have demonstrated a retreat from certain pillars of the liberal order, this has not translated into universal acceptance of China's alternatives; rather, it has produced a fragmented landscape in which states selectively engage with Chinese initiatives, while simultaneously hedging through trade diversification and deeper ties with other major powers.

Within the context of its uncertain global standing, China continues to project confidence in an attempt to bring its "Global Community of Shared Future" into fruition and stave off increasing bloc dynamics and containment measures, which would ultimately imperil the creation of a strong, unified, and "nationally rejuvenated" country. China's outward conviction that its vision of global harmony will ultimately prevail rests upon references to "the trend of the times," "the trend of the world," and "the trend of history." For example, Xi Jinping stated at the UN in 2015, "The movement toward a multi-polar world, and the rise of emerging markets and developing countries have become an irresistible trend of history."[122] In 2021, he similarly claimed "The trend of the world, vast and mighty, prospers those who follow it and perishes those who go against…It falls upon us to follow the prevailing trend of history, and choose cooperation over confrontation."[123] This framing seemingly eliminates the agency of individual countries to go against the "trend of the times," even while calling upon countries to reinforce this trend. For example, at the 2024 Summit of the Future, Wang Yi stated, "Greater solidarity and cooperation of the international community is not a choice, but a must."[124] But despite the assertion that cooperation is "not a choice," Yi then attempts to convince other delegations to take the choice to build a shared future. Thus, China's emphasis on inevitability is a performative effort to usher its vision of the global community to success at a time when this vision has not gained full support.

As China's rhetoric became more forceful, it began to emphasize how "historical trends" would ensure not only the success of China's version of inclusive multipolarity, but the failure of any attempts to undermine it. For example, at the World Economic Forum in 2021, Xi said, "History is moving forward and the world will not go back to what it was in the past…We have been shown time and again that to beggar thy neighbor…will always fail."[125] Similarly, Xi has stated at the UN, "The trend of the world, vast and mighty, prospers those who follow it and perishes those who go against…It falls upon us to follow the prevailing trend of history, and choose cooperation over confrontation."[126] Likewise, at a

[119] NATO, *Washington Summit Declaration issued by NATO Heads of State and Government,* July 10, 2024, https://www.nato.int/cps/en/natohq/official_texts_227678.htm.

[120] Jean Paul Vargas, "A global group of friends," *Beijing Review*, July 15, 2024, http://www.bjreview.com.cn/Opinion/Voice/202407/t20240715_800371729.html.

[121] Andrew J. Nathan and Boshu Zhang, "'A Shared Future for Mankind': Rhetoric and Reality in Chinese Foreign Policy under Xi Jinping," *Journal of Contemporary China* 31, no. 133 (2021): 57–71, https://doi.org/10.1080/10670564.2021.1926091.

[122] Xi Jinping, "Working Together to Forge a New Partnership of Win-Win Cooperation and Create a Community of Shared Future for Mankind," remarks at the General Debate, 70th Session of the United Nations General Assembly, New York, Sept. 28, 2015.

[123] Ministry of Foreign Affairs of the People's Republic of China, "Speech by H.E. Xi Jinping President of the People's Republic of China at the Conference Marking the 50th Anniversary of the Restoration of the Lawful Seat of the People's Republic of China in the United Nations."

[124] Wang Yi, *Bearing in Mind Our Common Future and Jointly Building a Better Tomorrow*, speech delivered at the United Nations Summit of the Future, New York, Sept. 23, 2024, Ministry of Foreign Affairs of the People's Republic of China, https://www.mfa.gov.cn/eng/wjbzhd/202409/t20240924_11495643.html.

[125] Xi Jinping, *Let the Torch of Multilateralism Light up Humanity's Way Forward*, special address at the World Economic Forum Virtual Event of the Davos Agenda, Jan. 25, 2021, China International Development Cooperation Agency, http://en.cidca.gov.cn/2021-01/26/c_585457.htm.

[126] Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference," 中华人民共和国外交部, Nov. 2, 2021, https://www.fmprc.gov.cn/eng/xw/fyrbt/lxjzh/202405/t20240530_11347151.html

2024 APEC summit, Xi said, "Despite headwinds and undertows, economic globalization has always been the general trend. The attempt to block economic cooperation…is nothing but backpedaling."[127]

These statements try to recast challenges to China's "Global Community of Shared Future" as brief divergences from the vast trend of history. It is impossible to discern whether China's rhetoric is "genuine" because it is impossible to know whether the establishment of a global community truly will be a historical trend– doing so would require knowledge of the future. Therefore, China's rhetoric evades a true-or-false classification, and can be described more accurately as an attempt than as a portrayal of existing truth. Even while the deterministic posture of Chinese rhetoric indicates brash confidence, China relies on the power of "history" to see out its objectives. This underscores the lack of tangible mechanisms by which China sees itself breaking out of the impasse of the ambivalent reception of its "Global Community," while also revealing the crisis China faces in its navigation of its global role.

China projects consensus and control in its rhetoric on Taiwan and the South China Sea, just as it does with regard to the broader global order. For example, Zhao Lijian stated in 2021, "Efforts to support and embolden the 'Taiwan independence' forces and challenge the one-China principle will turn out to be like trying to hold back the tide with a broom. They will not stop the progress of history."[128] And, when rejecting the decision of UNCLOS in the SCS arbitration case brought up by the Philippines, Wang Yi stated, "China is accelerating consultations with ASEAN countries…to foster a new narrative of peace, cooperation and friendship in the South China Sea. Any attempts to stir up trouble and sow discord are bound to fail."[129] The language used in both of these cases is in keeping with China's pattern of pronouncing the success of its narratives with vague, deterministic statements. There is a measure of desperation behind such pronunciations: unable to truly ensure that other countries buy into its narratives, China must use rhetorical certainty to reinforce its position.

Moreover, rhetorical determinism builds upon China's "national rejuvenation" narrative, as the alleged inevitability of a certain "historical trend"– such as China's "reunification" with Taiwan–reinforces the manufactured narrative of a past untainted by the violence of China's "Century of Humiliation," its civil war, and its break with the international order. The fact that China's regional aspirations are framed in the same manner as its vision for global collaboration indicates that both are necessary for China's idealized global future, as they would reinforce each other in corroborating an account of China as a unified civilization that has always valued– and been capable–of peaceful coexistence. Thus, China's performative rhetorical attempts to usher in a global future is also an effort to forcibly reconcile its own past.

Nation, World, History, and Future: China's Intertwined Aspirations

Up to this point, this paper has interrogated both how Chinese rhetoric indicates how it has arrived at its current conception of international relations, and how Chinese rhetoric serves as an attempt to build the future of international relations. However, just as China's own identity is central to its understanding of its global role, conceptions of China's past and future are interdependent: within its narrative of national rejuvenation and global harmony, China needs to usher in a collaborative global future as a way of substantiating its own vision of a domestically continuous historical identity. Therefore, domestic identity, global aspirations, the past, and the future are all implicated in China's rhetoric and actions, in ways inseparable from each other. Within this framework, however, China's domestic negotiation of identity is disunified, as a result of a tumultuous past. Hence, an important foundation of China's navigation of its global role is based on an understanding of its own past–and the world's past–that is fantastical rather than actual, meaning that the notion of a "global community" is precarious.

[127] Xi Jinping, *"Keeping Abreast of the Trend of the Times and Jointly Promoting Prosperity Around the World,"* speech, APEC CEO Summit, Lima, Nov. 15, 2024, The State Council of the People's Republic of China, https://english.www.gov.cn/news/202411/16/content_WS67387454c6d0868f4e8ed0d2.html.

[128] Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference," 中华人民共和国外交部, Dec. 6, 2021, https://www.mfa.gov.cn/eng/xw/fyrbt/lxjzh/202405/t20240530_11347177.html

[129] Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi Expounds China's Position on the South China Sea Arbitration Case," 中华人民共和国外交部, July 11, 2025, https://www.fmprc.gov.cn/mfa_eng/wjbzhd/202507/t20250713_11670073.html

China's rhetorical determinism is the culmination of several other patterns in its foreign policy rhetoric. For instance, while a reference to civilizations departs from a system of international relations where power is vested in competing nation-states–the same system in which China's notion of a utopian global community is impossible–a reference to the power of history, time, and destiny represents an even greater departure. Therefore, China's rhetoric on the "trend of the times" can be seen as an extension of its attempt to find ways of creating legitimacy for a "Global Community of Shared Future" that do not rely on the existing Western order. However, the idea of the "trend of the times" is also tied to China's appeals to the West, because it builds from a rhetorical trend in which China asserts global solidarity–including with the West– to bring that same solidarity to fruition. While a civilizational discourse can be seen as diverging from Western authority by framing countries like the US as relative newcomers, a discourse rooted in time and history does not have this divisive quality. This demonstrates how two opposing tendencies in China's performative rhetoric actually uphold a similar concept that attempts to bridge China with the international community, while also bridging the notion of a shared past with the vision of a shared future.

Yet, a look to China's actual past, and to the ways China arrived at its conception of international relations, demonstrates the volatility implicit to this attempt. For example, the principles of multilateralism that China advocates were adopted from the reigning principles in the international order at the time when China joined it, demonstrating how China's proposed notion of a linear trajectory toward progress is actually marked by China's shifting global role, and how China's ideology was adapted and modified rather than remaining consistent throughout its civilizational history. Furthermore, even as China's "national rejuvenation" is used to smooth over the fractures between China and the international order–thereby justifying China's vision of a global community–it relies on a false conception of China's own unified history and identity, making it such that China's attempts to substantiate its idealized version of history projects power in a way that actually jeopardizes a global future because it aligns with Western understandings of hegemonic behavior.

When China joined the international community, globalization and the creation of a shared future for humanity indeed seemed to represent a global trend. Today, as China becomes embroiled in geopolitical rivalry with the US and the future of the global order is far from certain, China isn't able to use existing realities as a premise for its rhetoric on the future of global collaboration. Because China cannot substantiate its globalist narrative with proof from the future, its narratives about the idealized unity of its past become doubly important. Therefore, by stressing the inevitability of a global future through deterministic statements regarding the "trend of the times," China seeks to forge unity from the rupture of its own past, under the framework of historical progress.

But this very attempt, and the contradicting ideological justifications that accompany it, actually indicates China's own lack of unity, and the difficulty of establishing a workable Chinese identity that is also accepted by the world. Wang Yi concludes a 2024 speech titled, "Riding the Trend of the Times with a Strong Sense of Responsibility" by stating to assembled Chinese officials that China will, "grasp Xi Jinping Thought on Diplomacy, follow the principles of self-confidence and self-reliance, openness and inclusiveness, fairness and justice, and cooperation and mutual benefit, steadfastly advance the building of a community with a shared future for mankind, keep breaking new ground for major-country diplomacy with Chinese characteristics in the new era, and make new and greater contributions to building China into a great modern socialist country, to the great rejuvenation of the Chinese nation, and to peace and progress of humanity as a whole."[130] The length of this statement, and the contradictory ideas that must be leveraged to support Yi's argument, demonstrate that China's foreign and domestic policy ambitions are conjunctively assembled within a convoluted tapestry of ideas and priorities that are as daunting to articulate as they are to implement.

Qiu Feng, an influential Chinese academic, posits, "When China was catching up with the West, the elites with such a mindset had no confusion. They knew the direction of China, which was to go west. When China caught up with the West in terms of material, the Chinese elites became confused and lost

[130] Ministry of Foreign Affairs of the People's Republic of China, "Riding the Trend of the Times with a Strong Sense of Responsibility," speech by H.E. Wang Yi at the Symposium on the International Situation and China's Foreign Relations, Beijing, Dec. 17, 2024, https://www.mfa.gov.cn/eng/wjbzhd/202412/t20241218_11497818.html

their sense of direction."[131] Today, China's foreign policy rhetoric reflects the many stages of change and conflict throughout its history: it engages themes adopted from the liberal international order, complex and messy understandings of ancient Chinese history, a series of ever-changing understandings of socialism, and a vague notion of history and destiny. This confounds understanding of China's intentions based in Western IR theory, while also revealing how China itself does not have a coherent or unified vision for the future. China's aspirations are also self-contradictory: its ideal global future is reliant on retroactively building a harmonious and unified past, when such a past never existed.

As a result, China's actions have been destabilizing, meeting with hostility from the US, as well as global pushback. China's very emphasis on historical confidence and the "trends of history" reveals how it did not truly have a united identity throughout history, while the deterministic qualities of its rhetoric demonstrate a labored attempt to advance its utopian vision of global community. The synergy between China's past and present–and its internal and external negotiation of identity–do not strengthen each other. Rather, they weaken each other, such that even while China continues to grow more powerful in terms of its economy, military, and alliances–all traits deemed important under a realist conception of politics in terms of raw power–the disjunctions present in its own identity will continue to grow, and its position in the global order will actually become more difficult to navigate.

Conclusion and Policy Implications

The first half of this paper traces how China's foreign policy rhetoric evolved from pragmatic self-description during its integration into the global order, to an increasingly assertive global prescription tied to domestic identity consolidation. This evolution created a vicious cycle: as China's power grew, its collaborative rhetoric became more threatening to the US; as the US became more hostile, China became more defensive about multilateralism; as China pursued "national rejuvenation" to justify its global vision, it took actions that contradicted its peaceful rhetoric. Just as China's own actions can be mapped onto an understanding of China as a revisionist, power maximizing state, this cycle of escalation can be mapped onto IR concepts such as the security dilemma, or the Thucydides Trap. Yet while these dynamics may help to explain US policy toward China, Chinese foreign policy itself is shaped through a fundamentally different theoretical framework rooted in history and identity, such that Western IR frameworks are bound to misunderstand China's motivations.

The second half of this paper demonstrates how China attempts to navigate an uncertain future through appeals to the existing order, the introduction of a civilizational narrative, and an intertwining of the past and future. Ultimately, these strategies reveal a fundamental contradiction: China's vision of global harmony depends on retroactively creating a unified past that never existed, while its aggressive pursuit of rejuvenation undermines the very community it seeks to build, trapping China in a cycle where its attempts to resolve domestic identity crises through global leadership only deepen both internal contradictions and international suspicion.

When considered in isolation, China's desire for an ideal harmonious world is genuine, as indicated by the centrality of the concept to internal party doctrine and identity-building. However, when considered in the context of historical and global realities, it appears more as a precarious narrative, sustained through continual performance rather than clear strategic consensus. China frequently poses a dilemma for humanity that dichotomizes cooperation and animosity, but its negotiation of the global order raises a different question: how can a nation—or an international community—move from a past defined by fracture and violence toward a future free of it? Given the dominant context of US-China great power competition, the US response to China–and the US' own engagement with the world– is crucial toward providing an answer. Though prescriptive policy guidance is not the focus of this paper, a nuanced understanding of Chinese rhetoric can have policy implications.

In his 2019 speech on "The China Challenge," Mike Pompeo stated, "Above all, it's critical that as Americans, we engage China as it is, not as we wish it were…We have to think anew, and unconventionally, about the People's Republic of

[131] 秋风, "世界历史的中国时刻," *文化纵横*, July 10, 2013, http://old.21bcr.com/a/zhuan__ti/shijiezhixudezhongguoxiangxiang/2013/0710/3471.html.

China."[132] Though Pompeo's statements on China are not always accurate, these particular words offer an insightful lens. Today, the US wishes to engage China under the framework of realism, operating on assumptions that China's foremost desire is regional or global hegemony. But the notion that Chinese rhetoric is mere coercion– devoid of analytical significance–is reductive. China, as it is, contains complex and contradictory ambitions that are based on the very same national identity that it is simultaneously attempting to build. Therefore, while the US-China competition encompasses trade, military influences, alliance networks, technology, geopolitical strategy, and more, it also involves a struggle over how this rivalry itself ought to be framed and understood. This paper argues, then, that US policymakers should "think anew" about its rival by considering this underlying discursive level of US-China relations.

Within this context, the US should consider its own proactive goals for the global order rather than solely shaping reactionary responses to China's actions. Furthermore, the US should not allow China's aggression to contaminate the notion of multilateralism itself, especially seeing as the preeminence of US global leadership occurred in a context where the US advocated for something resembling a global community. Though multilateralism may not be an absolute good, neither should the general principle of multilateralism be rejected outright because of the specific ways that China uses the term. The US must be lucid both on what China gets right, and what it gets wrong–and one issue that China gets right is the interconnectedness of the international system. Given this, the US cannot secure lasting stability by merely containing China: rather, it must demonstrate that its values and its global leadership are a sustainable long-term vision that can advance global development while fostering an inclusive global order.

Furthermore, though this paper mostly interrogates the interplay between China's foreign policy and its flawed construction of national identity and interest, a full understanding of US-China relations is incomplete without analyzing these dynamics as they pertain to the United States. And, while calls for engagement may seem outdated under predominant understandings of the US-China relationship, China's continued appeals to the West demonstrate that it still seeks legitimacy from the US. Accordingly, the US has a window of leverage, albeit a shrinking one, that it can use in its China policy, while acknowledging the impossibility of fully "transforming" China in the manner desired during its initial attempts at engagement. Ultimately, given the state of flux of China's identity and global aspirations, US actions are more important now than ever in securing a peaceful global future, and it should not waste this opportunity.

Directions for Further Research

This paper provides a set of perspectives regarding the interaction between China's idealistic rhetoric and its realist implications, but there are many variables that have been left out for scope, and which should be interrogated in further research. One such variable is China's shifting geopolitical alliances in the context of global political conflicts. Whereas Zoellick's call for a more globally involved China reflected hope in a world where authoritarian countries could be integrated into the global system, global understandings of shared norms have since changed, especially given the current wars in Ukraine and Gaza, and the US' engagement in both. Additionally, while history is integrated into this paper's arguments, a more extensive exploration of Chinese history and culture is essential to understanding China's current attitudes and ambitions.

It is also important to bear in mind that, although this paper analyzes the performative effects of China's official, outward-facing rhetoric on the international stage, these effects are not representative of a coherent or consistent internal consensus on China's intentions. In fact, a content analysis of Chinese foreign policy rhetoric from various sources has revealed differences in emphasis between different figures like the General Secretary/State President, Premier, State Council Information Office, and Foreign Minister.[133] Given the lengths to which the CCP goes to demonstrate the appearance of consensus, these external manifestations of difference likely underscore the existence of even more profound internal divisions, where differing ideas can prevail at different times. A glance at domestic

[132]Michael R. Pompeo, "The China Challenge," speech, Hudson Institute's Herman Kahn Award Gala, New York City, Oct. 30, 2019, US Department of State, https://2017-2021.state.gov/the-china-challenge/.

[133] Sabine Mokry, "China's Foreign Policy Rhetoric between Orchestration and Cacophony," *The Pacific Review* 37, no. 2 (2023): 360–87, https://doi.org/10.1080/09512748.2023.2175895.

Chinese scholarship also reveals that China is not truly a unitary actor with regard to its foreign relations. While Chinese scholarship is not independent and robust to the same degree as US scholarship, it still exerts a degree of influence over party doctrine, and differences have been noted between the positions of various scholars.[134] Diverse opinions on foreign policy exist within the Chinese population as well,[135] and despite China's lack of electoral accountability, public opinion is relevant because it provides the CCP with legitimacy, meaning that shifts in domestic opinion can also shift China's foreign policy.

Accordingly, while this paper centers around official CCP speeches and texts, a more sophisticated understanding of China's global role would necessarily reckon with a broader spectrum of Chinese communications, as well as how political consensus is generated through the interactions of different actors. These are just a few possibilities for how the framework posited in this paper could be extended or applied. Given the hostility that marks US-China relations today, as well as the increasingly destabilizing contingencies associated with China's global role, it is more important than ever to foster accurate understandings of China that account for the power of rhetoric and narrative. After all, this research has demonstrated that rhetoric is far more than a tool in the competition for power; it fundamentally shapes how that competition unfolds. Ultimately, in a global environment wracked with conflict and uncertainty, a more nuanced understanding of political rhetoric can enable policymakers to shape global narratives that are truly collaborative and sustainable.

[134] Zhou Fangyin, *Chinese Scholars and Foreign Policy: Debating International Relations*, 1st ed. (New York: Routledge, 2019), https://doi.org/10.4324/9780429029738.

[135] Xiaojun Li, "How Public Opinion Shapes China's Foreign Policy," London School of Economics Blog, May 20th, 2022, https://blogs.lse.ac.uk/cff/2022/05/20/how-public-opinion-shapes-chinas-foreign-policy/.

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