

2026

External Security Risks for China



清华大学战略与安全研究中心

CENTER FOR
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This report draws on a systematic survey and in-depth interviews with dozens of senior experts across relevant fields. Combining qualitative and quantitative analysis, it provides a comprehensive scan, tiered assessment, and trend outlook of the external security risks facing China in 2026.

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I. Executive Summary: The Overall Risk Landscape for 2026

2026 is a pivotal year in the profound reshaping of China's external security environment. The intense unpredictability of American domestic politics may severely test the willingness and capacity of the Trump administration to honor the "Busan Consensus" between China and the United States. In Japan, Prime Minister Takaichi Sanae's hard-right trajectory is deepening the structural contradictions in China-Japan relations. With the Philippines assuming the ASEAN rotating chairmanship in the same year as the tenth anniversary of the South China Sea arbitration ruling, the South China Sea faces a new flashpoint. Meanwhile, the Russia-Ukraine conflict enters its "endgame phase," and whether that endgame yields a ceasefire or an escalation, it will fundamentally reshape how major-power strategic priorities are allocated and how pressure is channeled toward China.

Taken together, China's external security risks in 2026 display three defining features:

First, the risk of "three-seas linkage" is unprecedented.

The East China Sea, the Taiwan Strait, and the South China Sea may, under U.S. strategic orchestration, develop a resonance effect across all three fronts simultaneously. This degree of concentration is unprecedented in recent years and generates systemic pressure on China's entire periphery. Japan's growing intent to intervene in Taiwan Strait affairs, the Philippines' rising frequency of provocations in the South China Sea, and the United States' forward deployment to maintain "denial defense" are collectively turning what was once a probability risk into a structural reality. Escalation in any one direction could trigger chain reactions in the others.

Second, economic security and geopolitical risks are increasingly intertwined.

Regardless of the outcome of the U.S. midterm elections, Washington's technology blockade against China is likely to shift from "transactional shocks" to "systemic containment." The implementation of the EU's carbon border adjustment mechanism, the further alignment of EU investment screening and export controls with U.S. policy, and the substantive progress of U.S.-organized critical minerals alliances are together creating triple pressure under which Chinese enterprises face significantly rising compliance risks, supply chain disruption risks, and market access barriers. More alarming still, China's trade surplus exceeding one trillion U.S. dollars is fueling a second "China Shock" narrative beyond China's borders, and a protectionist backlash across multiple countries could coalesce into a broad front of trade friction against China.

Third, a compound risk landscape in which "grey rhinos" and "black swans" coexist.

Foreseeable, high-probability risks such as Taiwan Strait tensions, South China Sea standoffs, and technology decoupling continue to accumulate. At the same time, the triggering conditions for low-probability but high-impact events, including a North Korean

nuclear test, Iranian regime instability, an unexpected incident involving a major-power leader, a partial bursting of the AI bubble, a U.S. Treasury crisis, among others, are also ripening in parallel. The simultaneous convergence and resonance of multiple risk sources places extraordinary demands on China’s strategic assessment capabilities and crisis management mechanisms.

This report synthesizes the judgments of dozens of senior international security experts. Across three dimensions of geopolitics and military security, economic and supply chain security, and non-traditional security, it identifies ten core risks and provides dedicated analysis of cognitive biases, aiming to offer a systematic reference for strategic preparedness and policy planning in 2026.

II. Overview: Top Ten Risks Ranked

The following risks are ranked in descending order of their composite risk level, based on four dimensions: probability, potential severity, controllability, and interconnectedness.

No.	Risk	Peak Period	Key Parties
1	High Seas in the Taiwan Strait: Sustained tensions and multi-party involvement	Year-round, esp. Apr–May	China, U.S., Japan, Taiwan
2	The Neighbor Behind the Crumbling Wall: Structural deterioration of China-Japan relations and the NEA security impasse	Year-round, esp. Jul election & Oct shrine visit	China, Japan, U.S.
3	The Closing Wall: Deep China-U.S. tech/supply chain decoupling and systemic containment	Second half, around midterm elections	China, U.S., Japan, Netherlands, S. Korea
4	The South China Sea at Ten Years: “Quasi-militarized” confrontation and the “arbitration anniversary” crisis	Year-round	China, Philippines, U.S., Japan, Vietnam
5	When the Bubble Meets the Surplus: Global economic/financial turmoil and the second “China Shock”	Year-round	China, U.S., EU, multiple countries
6	The Unfinished Game: Risk spillovers from two Russia-Ukraine scenarios	First half	Russia, Ukraine, U.S., EU, China
7	Past the Tipping Point: Institutional “securitization” of China-EU economic relations	Year-round, esp. Apr Hungary election	China, EU
8	Cracks in the Digital Dome: AI-enabled cyberattacks and critical infrastructure security	Year-round	Multiple actors
9	The Long Arc of Exposure: Overseas interests protection amid a worsening terrorism landscape	Year-round	China and BRI partner countries
10	The Silent Fuse: North Korean nuclear test and sudden crisis	Uncertain	DPRK, U.S., S. Korea, China

III. Geopolitical and Military Security Risks

Risk 1: High Seas in the Taiwan Strait

Risk Overview

The Taiwan Strait remains China’s foremost security risk. The danger does not come from a single direction but from the convergence and resonance of three forces: the Taiwan authorities’ push to advance “Taiwan independence” activities, the expansion of U.S. arms sales to and official exchanges with Taiwan, and Japan’s deepening involvement. Of particular concern is the Taiwan Assurance Implementation Act signed by Trump in December 2025, which provides a legal basis for the U.S. to loosen restrictions on engagement with Taiwan. Japan and several European countries may follow suit.

Key Trigger Points

Multiple high-risk windows exist in 2026. Between April and May, should a sudden incident disrupt high-level China-U.S. interactions, the leader of China’s Taiwan region may stage a provocation around the May 20 inauguration anniversary. During the second half of the year, as U.S. midterm elections approach, the incentive for American politicians to play the “Taiwan card” rises sharply. In addition, around Taiwan’s local “nine-in-one” elections, the DPP may exploit “anti-China” narratives to hijack the electoral agenda. U.S. forces may deploy forward intelligent unmanned weapons systems to reinforce “denial defense,” raising the risk of escalation on multiple levels.

The Particular Danger of the Japan Factor

The contradiction between China and Japan on the Taiwan question is intensifying rapidly. The Takaichi administration may continue to push forward on multiple fronts: sending cabinet-level officials on provocative visits to Taiwan region, inviting former or sitting leaders of Taiwan region to Japan, selling or transferring coast guard vessels, and explicitly linking the Taiwan Strait to Japanese security in official documents.

The Risk of “Third-Party Entrapment”

Special attention should be paid to the possibility of third parties or non-state actors launching cyberattacks on Taiwan’s critical infrastructure; the resurgence of the “2027 timeline” narrative in new forms; and the prospect of a sitting head of state from an individual European country visiting Taiwan. Though low in probability, any of these events would produce enormous impact.

Risk 2: The Neighbor Behind the Crumbling Wall

Risk Overview

China-Japan relations in 2026 face their most severe test since the normalization of diplomatic ties. Takaichi Sanae’s right-wing political orientation will not soften under the weight of economic interests—a reality already confirmed by her series of provocative moves since taking office. The risk in China-Japan relations has shifted from “manageable friction” to “structural confrontation,” with the political foundation under continuous erosion.

Takaichi’s Political Trajectory and Key Inflection Points

In the first half of 2026, Takaichi may dissolve the House of Representatives for a snap election. A resounding LDP victory would give her greater political capital to advance right-wing policies, including revising three security documents. The most dangerous moment comes in October, during the autumn grand festival at Yasukuni Shrine: a visit by Takaichi would plunge the already fragile China-Japan relationship to its lowest point. The forces she represents will further stoke the “China threat” narrative, weaponizing China-Japan tensions to advance their agenda of military buildup and constitutional revision. The Shenzhen APEC summit in November could be directly affected by the deterioration in bilateral relations.

Escalation Risks in the Military Dimension

Japan’s moves in the following areas warrant close attention: increasing military presence in Okinawa, taking provocative actions in waters near the Diaoyu Islands, accelerating the deployment of U.S. missile and missile defense systems on Japanese soil, and potentially breaching the last of the “Three Non-Nuclear Principles”—the prohibition on bringing nuclear weapons into Japan. The risk of a maritime or aerial collision between China and Japan is a persistent one, and the rise of populist sentiment in Japanese society under Takaichi’s leadership could see isolated friction incidents involving Chinese nationals in Japan escalate, pushing the bilateral relationship into confrontation mode.

Risk 3: The South China Sea at Ten Years

Risk Overview

In 2026, the South China Sea faces a dual structural pressure. First, the Philippines holds the ASEAN rotating chairmanship, giving it agenda-setting power and the potential to push the “internationalization” of the South China Sea issue to new heights. Second, the tenth anniversary of the so-called South China Sea arbitration ruling provides a pretext for the Philippines to orchestrate a dual legal and military provocation. The implications of an escalation extend well beyond regional security, directly threatening China’s energy supply, trade corridors, and its broader economic relationship with ASEAN.

Core Conflict Scenarios

The Philippines may attempt to force the content of the arbitration ruling into the negotiating text of the South China Sea Code of Conduct, while simultaneously dispatching warships to force resupply and reinforcement at Second Thomas Shoal. Any collision between Chinese and Philippine vessels at the shoal resulting in casualties would cause the situation to escalate sharply. Increased frequency of joint patrols and exercises by the U.S., Japan, and the Philippines could transform the South China Sea dispute from a bilateral issue into a multilateral confrontation.

Economic Spillover Effects

Even short of military conflict, brief navigation restrictions, surging insurance premiums on key shipping lanes, or delays in the semiconductor supply chain would be swiftly reflected in global financial markets. ASEAN has been China's largest trading partner for sixteen consecutive years, with bilateral trade exceeding 7.3 trillion yuan in 2025. An escalation in the South China Sea could disrupt the China-ASEAN Comprehensive Strategic Partnership and destabilize this critical economic artery.

Risk 4: The Unfinished Game

Risk Overview

In the first half of 2026, the Russia-Ukraine conflict enters a critical transition phase toward its “political endgame.” Amid the broader strategic push to bring the conflict to a close, the tactical picture could manifest either as de-escalation and even ceasefire, or as a temporary expansion of hostilities. Each scenario would exert a different form of strategic pressure on China.

Risks of Continued Conflict

Should the conflict escalate, there is a possibility of spillover into the Baltic states or even a direct clash between NATO and Russia. The Poland-Belarus border could close again, directly threatening the security of the China-Europe Railway Express corridor. The West may ramp up pressure on China to play a role in securing a ceasefire. Western nations may also form a dual track of geopolitical pressure through trade sanctions and export controls aimed at China. Both Germany and Japan may seize on the heightened tensions to advance their “normal country” strategic agendas.

Risks of a Ceasefire

Should the United States broker a ceasefire or reach a strategic deal with Russia, the implications for China would be no less challenging. China could face the pressure of America's strategic focus turning “squarely” toward it. A postwar Russia might seek diplomatic diversification to reduce dependence on Beijing, offering less support on

security issues. Europe and Ukraine may cast China as a scapegoat for “supporting Russia,” intensifying their involvement in maritime security affairs around China’s periphery.

Risk 5: The Silent Fuse

Risk Overview

The Korean Peninsula is one of the risk sources most likely to produce a genuine “black swan” event in 2026. North Korea may conduct its seventh nuclear test or test a long-range nuclear delivery vehicle, triggering a sudden spike in tensions. Beyond that, a revision of the U.S.-South Korea Atomic Energy Agreement could provoke a strong North Korean response, while an unexpected breakthrough in U.S.-DPRK relations remains another possibility. Any of these scenarios would fundamentally alter the Northeast Asian security landscape and pose a major challenge to China’s border security and regional influence.

IV. Economic, Financial, and Supply Chain Risks

Risk 6: The Closing Wall

Risk Overview

In the second half of 2026, coinciding with the U.S. midterm election cycle, China-U.S. technology relations faces the risk of a qualitative shift from “transactional shocks” to “systemic containment.” Should Congress become divided or establishment factions within both parties gain ground, the executive branch will likely continue to display the Trump camp’s “multi-front, unilateral, unpredictable” policy pattern, while Congress moves to entrench a “systemic, multilateral, long-game containment” approach toward China. Under such a scenario, the pressure on China’s technology sector would intensify significantly, and the room for “transactional” negotiation would narrow further.

Key Domains and Mechanisms

The “Tech Prosperity Initiative” being advanced by the United States in concert with Japan, the Netherlands, and the United Kingdom may achieve new milestones, further consolidating the technology barrier against China. Specific measures include: stricter bans on exporting high-end GPUs and key lithography components to China to widen the technological gap; the establishment of rare earth supply chains that bypass China, eroding Beijing’s capacity for resource-based countermeasures; and a “controlled dependency” strategy designed to lock China’s AI industry within the American technology stack, delaying the progress of domestic substitution.

Deeper Implications

Under the dual impact of technology controls and shifts in foreign investment policy, foreign direct investment in high-tech manufacturing will experience notable volatility. Corporate capital expenditures will rise as equipment shortfalls drive greater investment in domestic alternatives, stretching payback periods and compressing short- to medium-term profit margins. Multinational firms may reassess the risks of maintaining high-end manufacturing operations in China. The deeper challenge lies in this: should physical intelligence take off rapidly in Silicon Valley, with the United States achieving early breakthroughs in robotics operating systems, smart factory platforms, and other domains where the physical and digital converge, China could face a dual squeeze of a widening high-end technology gap and an eroding cost advantage at the middle and low end.

Risk 7: When the Bubble Meets the Surplus

Risk Overview

Global economic and financial risks in 2026 present a compound picture of multiple parallel fault lines feeding into one another. Multiple risk factors are accumulating simultaneously, including a crisis of Federal Reserve independence, a partial bursting of the AI bubble, eroding confidence in the U.S. Treasury market, and persistent uncertainty in the global interest rate landscape. Their convergence could produce a compound shock of damaged dollar credibility, surging commodity prices, and a passive appreciation of the renminbi, placing systemic pressure on China's foreign trade, foreign exchange reserve management, and monetary policy space.

A Federal Reserve Independence Crisis and Dollar Credibility

Should incoming Fed Chair Kevin Warsh immediately announce a pause in rate hikes and launch quantitative easing while inflation data remain above three percent, market confidence in the Fed's credibility would deteriorate rapidly. Globally, the dollar index could plunge in the short term, commodity prices could spike, and capital flight from emerging markets could accelerate. For China, a passive appreciation of the renminbi against the dollar would compress export margins. The market value of China's trillion-dollar holdings of U.S. Treasuries would become more volatile, complicating foreign exchange reserve management, and the People's Bank of China would be caught between the competing imperatives of "stabilizing the exchange rate" and "stabilizing prices."

The Particular Risk of a Second "China Shock"

With China's trade surplus surpassing one trillion dollars in 2025, an economic version of the "China threat" narrative has grown loud. Should the surplus continue to expand in 2026, it will provoke a backlash far exceeding the China-U.S. bilateral frame. The EU,

under internal political and economic pressure, may impose additional tariffs on China and inspire others to follow. Some countries, pressed by both American coercion and domestic protectionist sentiment, could adopt aggressive measures such as steep tariff hikes and investment screening targeting China. What makes this risk distinctive is that it does not originate from a single adversary. It is the “wolf pack effect” of multiple countries acting in concert, inflicting not only direct economic losses on China but, more profoundly, degrading its strategic environment and international business reputation.

Risk 8: Pasting the Match Point

Risk Overview

China-EU relations in 2026 face multiple structural pressures. Voices within the EU calling for a harder line on China are growing louder. In 2026, the EU’s carbon border adjustment mechanism officially takes effect. Investment screening, export controls, and supply chain security policies increasingly converge with those of the United States. “De-risking” is shifting from a slogan to an institutionalized policy tool, extending into new energy, critical raw materials, and digital technology sectors, significantly raising uncertainty in China-EU economic relations and the compliance and operational risks facing Chinese enterprises in Europe.

Key Political Inflection Points and the Erosion of “Pro-China” Forces

The Hungarian election in April 2026 is a pivotal turning point for European China policy. Viktor Orbán is one of the few remaining pro-engagement voices within the EU. A change in Budapest’s political landscape would cause the continent’s posture toward China to deteriorate swiftly. At the same time, Serbia’s President Vučić faces enormous domestic political pressure from ongoing protests and may call early elections. Should both countries experience unfavorable political shifts simultaneously, China’s political and economic “hedging space” in Europe would be sharply compressed and its industrial footprint and investment security in Europe would bear the immediate brunt. Moreover, several European countries are in electoral cycles or have unstable governing coalitions, with domestic political polarization intensifying. China-related issues are being instrumentalized in domestic politics, complicating intra-EU coordination on China policy and producing frequent policy oscillations that undermine the predictability of China-EU relations.

Values-Based Pressure and “De-Risking” Linkages

Europe will grow more sensitive on values-related issues, taking a more assertive approach to values-based pressure on China. Prejudices regarding Taiwan, Tibet, Hong Kong, and Xinjiang may trigger diplomatic friction. Friction in green industries between China and Europe is likely to intensify, with the EU potentially launching “overcapacity” investigations into Chinese photovoltaic modules and wind turbines and imposing import quotas, directly affecting the overseas revenue of China’s green industries.

V. Non-Traditional and Emerging Risks

Risk 9: Cracks in the Digital Dome

Risk Overview

In 2026, AI-driven cyberattacks will push the intensity of threats to an entirely new order of magnitude. Within the year, AI systems may approach the capability for “recursive self-improvement.” AI-enabled autonomous penetration capabilities are advancing rapidly, and attack methods are trending toward automation, scale, and sophistication. China’s financial systems, energy networks, transportation hubs, and other critical digital infrastructure could face large-scale, coordinated, state-level cyberattacks. Such events are highly covert and sudden, they could occur at any point.

The Leap in AI-Driven Attack Capabilities

The core variable in the 2026 cybersecurity threat landscape is the accelerating “weaponization” of AI. AI is not merely being used to generate more precise phishing attacks and deepfake scams; it can drive automated, large-scale ransomware campaigns and achieve autonomous penetration and lateral movement within target networks. AI-enabled attack tools allow even low-skilled actors to launch highly sophisticated cyber operations, vastly expanding the threat surface. The originators may be state-level actors backed by major powers, or third-party non-governmental organizations and even telecom fraud syndicates. The difficulty of attribution further raises the risk of retaliation and escalation. Of particular concern is a new type of intelligence security threat driven by data. Major AI platforms have accumulated vast volumes of user interaction data, which may contain work content and decision-making information from personnel in sensitive institutions. Should such data be compromised, the potential damage would be difficult to quantify.

Systemic Vulnerability of Critical Infrastructure

A coordinated attack on China’s critical infrastructure represents the most destructive scenario. In 2026, financial and energy systems and other key digital infrastructure could come under high-intensity, state-level cyberattack—for example, a coordinated strike on securities trading systems or regional power grids, causing service disruptions and short-term social disorder. Should a large-scale paralysis of the power system or other infrastructure occur on a nationwide scale, economic activity could halt for days or even weeks, and the payment, settlement, and data chains on which the modern financial system depends would be severely disrupted. The destructive power of such risks far exceeds that of ordinary natural disasters or localized accidents, and a single incident could cause a sharp monthly decline in GDP. Additionally, the risk of cross-border critical infrastructure in the Eurasian and Asia-Pacific regions—such as submarine cables and energy pipelines—being targeted also warrants attention.

A Forward-Looking Threat: Quantum Decryption and the “Zeroing Out” of Encryption

The deeper threat lies in the potential for a breakthrough in quantum decryption technology to be publicly announced. Should a national laboratory or a tech giant suddenly declare the achievement of large-scale fault-tolerant quantum computing capable of breaking mainstream encryption algorithms, existing banking systems, power grid control systems, blockchain assets, and classified communications would be instantly exposed. As a country with an exceptionally high degree of digitization, China’s financial security and data sovereignty would face an unprecedented risk of being “zeroed out.”

Risk 10: The Long Arc of Exposure

Risk Overview

In 2026, the security threats facing China’s overseas interests present a picture of multiple, compounding sources of risk with rising intensity. Traditional terrorism threats are intertwined with political instability in Belt and Road Initiative partner countries. The risks to Chinese citizens, projects, and institutions abroad have increased markedly, and the difficulty and complexity of protection are surpassing those of any previous period.

Two Main Lines of Terrorist Threat

The first line of threat comes from the Pakistan front. In 2025, Pakistan saw over 1,000 terrorist attacks, with fatalities rising 72 percent year on year. The Pakistani Taliban and Baloch separatist forces are showing signs of coordination, and the incentive for the U.S. and India to wage proxy campaigns against China through terrorist organizations is growing. The routinization of Pakistan-Afghanistan conflict is intensifying the spillover of terrorism, placing the China-Pakistan Economic Corridor under sustained pressure. The second line originates from ISIS-Khorasan, which over the past three years has increasingly turned its sights on China. In 2025, successive attacks targeting Chinese enterprises and personnel occurred at the Afghanistan-Tajikistan border, resulting in the deaths of several Chinese nationals. The threat is spreading toward Central Asia and the broader South Asian region.

Political Instability Along the Belt and Road and Emerging Security Threats

Gen-Z political movements across South Asia are surging. In early 2026, Bangladesh and Nepal each hold general elections, and their political trajectories are highly uncertain. Frequent changes of government are raising the operational risks and diplomatic costs of Belt and Road cooperation. Meanwhile, remnants of Southeast Asian telecom fraud syndicates may launch retaliatory terrorist attacks against Chinese tourists in response to China’s crackdown operations. Escalating localized conflicts in resource-rich regions of Africa could also threaten Chinese mining investments and personnel safety on the continent.

Appendix: Calibrating Perception Against Reality

In looking ahead to the risks of 2026, we must remain clear-eyed and humble about the cognitive biases that are, by their nature, unavoidable. Excessive alarm and excessive optimism alike lead to strategic misjudgment. Cognitive biases are exceedingly difficult to screen out in advance. To provide a “calibration reference” for this year’s risk outlook, we review areas in which the realities of international affairs over the past year diverged significantly from mainstream judgements. We present these gaps as an honest reckoning with the past year, and as a more reality-grounded baseline for the outlook ahead.

The Systematic Underestimation of China’s Economic Resilience

A prevailing view held that steep tariffs would cause Chinese exports to “fall off a cliff” and inflict severe economic hardship. The reality of 2025 was far more nuanced. Thanks to RCEP and the redirection of trade toward ASEAN, Latin America, and Africa, China successfully diversified its export markets; the direct impact of tariffs on overall exports was only around five to six percent. Renminbi exchange rate fluctuations were driven more by the China-U.S. interest rate differential and dollar strength than by any “panic capital flight.” The real estate market, through a combination of policy tools, achieved a “controlled structural deleveraging”—nowhere near a systemic collapse. And both the intensity and effectiveness of China’s countermeasures against U.S. tariffs and export controls exceeded general expectations.

The Fantasy of a “Pragmatic Turn” by Japanese Right-Wing Politicians

Before Takaichi Sanae took office, the consensus view held that Japan’s economic dependence on China would force her to leave room for “pragmatism.” Events have shown that for politicians of this ideological stripe, the rigidity of their political convictions is more than sufficient to override economic calculations—even at the cost of long-term economic interests. Meanwhile, public discourse on the China-Japan situation has polarized: some are gripped by alarmism, convinced that war between China and Japan is inevitable, while others remain insufficiently alert to the rightward drift and rising populism within Japanese society. It is important to distinguish between elite politics and broader social attitudes in Japan, and between right-wing politics and militarism as distinct concepts.

Multiple Misjudgments on the Trajectory and Impact of the Russia-Ukraine Conflict

At the start of 2025, public expectations of a U.S.-brokered ceasefire were unrealistically high; in reality, the gap between Russian and Ukrainian negotiating positions remained vast, and the conflict continued. A number of analyses misread Russia’s battlefield performance, and exaggerated the threat to China’s food supply. China’s grain stock-to-use ratio far exceeds the FAO safety threshold, and its import channels are thoroughly diversified.

Blind Spots Regarding the United States and Europe

The depth to which Trump is systematically reshaping traditional American foreign policy thinking exceeded existing analytical frameworks—from territorial claims on Canada and Greenland, to open support for European right-wing movements, to the classification of inbound narcotics as “weapons of mass destruction.” “De-dollarization is advancing rapidly” was another textbook cognitive bias; the dollar’s advantages in liquidity, financial asset depth, and safe-haven function are difficult to displace in the near term, and the U.S. stablecoin strategy may in fact reinforce the dollar’s position. The notion that Europe has “fully pivoted to a hardline stance on China” was also overstated: the actual picture is one of significant internal divisions, with “limited de-risking” coexisting with deep interdependence.

Excessive Alarm over the Impact of Middle East Instability

The doomsday narrative—that a major Middle East war would inevitably push oil prices back above \$100 a barrel—did not materialize. Despite multiple rounds of escalation between Israel and Iran, OPEC+ moved quickly to increase production and fill the gap. International oil prices peaked briefly at \$85. China’s full-year crude oil import costs rose by approximately eight percent—far below the most pessimistic forecasts of 30 to 40 percent. This judgment overlooked the redundancy of the global supply system and the fact that China has built strategic petroleum reserves covering nearly six months of imports.



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