


An Analysis of China's Recent Economic Security Measures

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This article draws on RAND Europe's China's Economic Deterrence Playbook to examine Beijing's expanding toolkit of economic security measures. According to the report, China employs three forms of economic deterrence—denial, entanglement, and punishment—to reshape mutual interdependence into asymmetric dependence and enhance its geoeconomic leverage. These strategies are implemented through efforts to build supply-chain autonomy, diversify trade relationships, and deploy increasingly sophisticated export controls.

Deterrence by denial aims to convince an adversary that any hostile action will fail. RAND Europe notes that Beijing has long framed economic resilience as a core pillar of national security. China's resilience strategy emphasizes strengthening supply-chain self-reliance, dispersing assets and production sites, and enhancing policy agility to withstand external shocks.

Trade patterns demonstrate this strategic shift: in 2016, the United States accounted for 18.4 percent of China's trade while ASEAN represented only 12.2 percent. Following the U.S.–China trade war, global supply-chain reconfigurations, and RCEP's entry into force in 2022, ASEAN's share rose to 16.4 percent in 2024 and 17.5 percent in 2025, overtaking the United States, whose share fell to 11.4 percent, while Japan and South Korea declined to 12.1 percent. Since 2020, Beijing has also established a dense legal regime covering finance, technology, investment, data governance, and information security. Tighter foreign-investment reviews, enhanced securities oversight, broadened technology and export controls, and the implementation of the Data Security Law and Anti-Espionage Law together form a “domestic firewall” designed to ensure strategic autonomy despite intensifying external technology restrictions. China has simultaneously pursued indigenous innovation



through a whole-of-nation R&D system. These measures reflect Beijing's intention to cultivate "new quality productive forces," promote growth through innovation, and reduce reliance on U.S. and European technologies.

Deterrence by entanglement, the second category identified by RAND Europe, leverages China's central position in global value chains to discourage other states from taking hostile actions. Because countries depend heavily on China for upstream critical minerals, mid-stream components, and downstream assembly, they face significant risks if relations deteriorate. China's 2025 rare-earth and technology controls illustrate this strategy. In April, July, and October, Beijing announced successive export restrictions on gallium, germanium, graphite, rare-earth permanent-magnet materials, and related technologies. The April measures expanded controls on seven mid-heavy rare earths essential for high-efficiency motors. In July, new licensing procedures for high-purity graphite affected electric-vehicle battery supply chains in Japan and South Korea. On October 9, Beijing introduced a rule requiring foreign exporters to obtain Chinese approval if their products contained at least 0.1 percent Chinese rare earths or used Chinese rare-earth processing technology. This amounted to a long-arm-jurisdiction-style approach similar to U.S. semiconductor controls. Rather than imposing a full embargo, Beijing generated uncertainty through opaque and time-consuming administrative procedures, encouraging multinational firms to pressure their own governments. The speed, scope, and confidence of these measures indicate that China has entered a more mature and assertive phase of geoeconomic retaliation.

Deterrence by punishment is designed to signal that adversaries will incur substantial costs for unfriendly behavior. Since 2020, China has developed an integrated legal architecture for countermeasures. The Unreliable Entity List allows Beijing to restrict firms that harm China's interests. The 2021 Blocking Rules authorize the government to prohibit compliance with foreign extraterritorial measures. The Anti-Foreign Sanctions Law provides explicit authority for retaliatory sanctions, including asset freezes and entry bans. The 2023 Foreign Relations Law codifies China's right to impose reciprocal or punitive measures against foreign actions that undermine its sovereignty or security. Together these laws form a punitive deterrence framework that combines legal authority with political signaling to warn foreign governments and companies that economic actions against China will trigger costly retaliation.



A clear example emerged in 2025 in the maritime and shipbuilding sectors. After concluding a Section 301 investigation, the United States announced a new “harbor maintenance fee” on Chinese vessels beginning October 14, starting at USD 50 per net ton and rising to USD 140 in 2028. Beijing responded immediately with its own “special port fee” applied to U.S.-built, U.S.-flagged, or U.S.-owned vessels, beginning at RMB 400 (approximately USD 56) per net ton and increasing to RMB 1,120 (approximately USD 157). China also blacklisted five U.S. subsidiaries of South Korea’s Hanwha Ocean for allegedly assisting the U.S. investigation. Seoul warned that the decision could hinder the U.S.–ROK “Make America’s Shipyards Great Again” initiative, while the U.S. State Department condemned Beijing’s actions as “irresponsible and coercive.”

For Taiwan, the consolidation of China’s economic-deterrence system is both an external challenge and a measure of the maturity of its own economic-security governance. Taiwan’s response must involve not only defensive mechanisms but also proactive diversification of supply chains and markets. Taiwan should continue advancing non-China supply-chain strategies and deepen cooperation with like-minded partners, while using platforms such as the CPTPP to reinforce multilateral networks. Institutionally, Taiwan would benefit from developing a national economic-security framework similar to the EU’s Economic Security Strategy, including investment screening, critical-industry protection, export controls, and technology security. Taiwan should also strengthen technological resilience by extending its semiconductor leadership into emerging strategic industries such as AI, low-Earth-orbit satellites, unmanned systems, and green technologies. By pursuing technology-trust frameworks with the United States, Japan, and Europe, Taiwan can embed itself more deeply within democratic technology networks and reduce vulnerability to China’s entanglement-based deterrence.