

SPECIAL REPORT

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China's White Paper on National Security

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EXECUTIVE SUMMARY

- China's first-ever White Paper on National Security highlights a pivotal shift in its strategic posture, framing comprehensive national security as essential to both political stability and economic development. Taking a holistic approach, China identifies 20 areas of security.
- Political Security comes first. With the Communist Party of China (CPC) at the core, the document emphasizes political security above all, integrating economic, technological, territorial, and ideological domains into a unified national security framework.
- The paper identifies the U.S. and its allies as primary external threats, condemns decoupling, and warns of the destabilizing effects of sanctions, especially on global supply chains.
- The US-China trade deal on tariffs and rare earth minerals underscores the economic realities of China's national security strategy. This deal aligns with China's comprehensive national security strategy, which prioritizes political and economic stability.
- The white paper underscores China's focus on safeguarding territorial integrity, especially Taiwan, labeling foreign interference as a top threat. While the trade agreement reflects pragmatic cooperation, it coexists with deep-rooted strategic tensions, particularly over China's assertive stance on Taiwan.
- China's dominance in critical materials, paired with its assertive security stance, creates significant supply chain and market access volatility. Meanwhile, its commitment to high-quality development, digital sovereignty, and increased scrutiny over foreign entities signals rising regulatory risks.



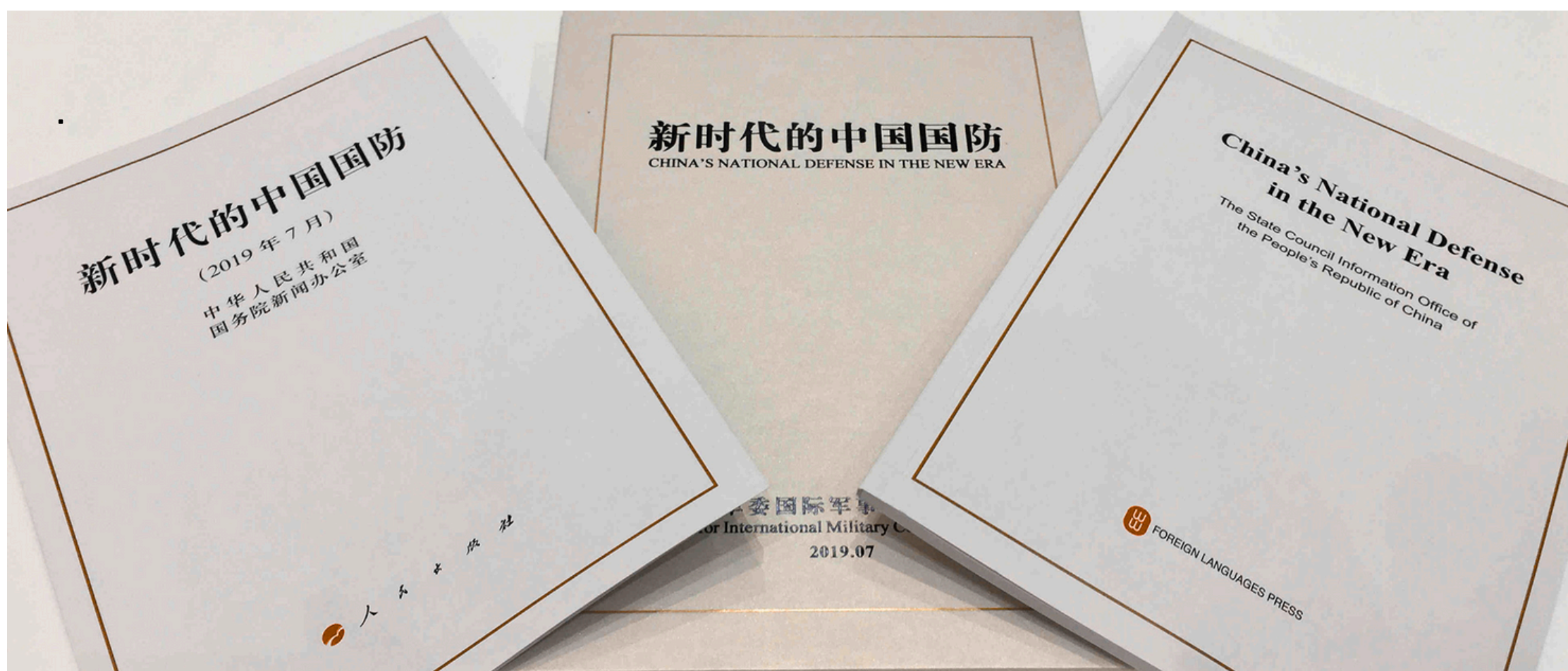
TABLE OF CONTENT



 INTRODUCTION		1
 SPECIAL FOCUS		2-5
 CHAPTER I		6-7
 CHAPTER II		8-11
 CHAPTER III		12-13
 CHAPTER IV		14-17
 CHAPTER V		15-21
 CHAPTER VI		22-23
 DISRUPTIONS		24-25

Introduction

On 12 May 2025, the State Council Information Office released China's first-ever white paper solely dedicated to the quintessential topic of national security. Titled "China's National Security in the New Era", the paper's preamble begins with the following statement: "Security is the most important thing for a country." Taking a holistic approach, the paper identifies 20 areas of security, starting from Political Security and ending at Data Security, covering all the aspects of traditional and non-traditional security. Readers will find that the Chinese Communist Party (CCP) is obsessed with internal security, with the paper challenging Westernization and advocating firm methods to prevent and eliminate color revolutions, black swan events, and separatism.



Since this is China's first white paper on national security, the timing of its release is noteworthy, coming at a time when the US and China have both considered easing on trade war. China has confirmed that it will allow the export of rare earth minerals in exchange for the removal of restrictions on trade by the US. The paper presents China as a source of stability in an uncertain world marked by "outdated" concepts of "hegemony" and "Cold War thinking". Furthermore, the paper uses a language of unflinching attitude and an absolute control over core matters of China's national interest, namely, Taiwan, one Party rule, regime stability, economic security, and hegemonic aspirations of the US in the Asia Pacific.



Comprehensive National Security Checklist: A Holistic Approach

China’s concept of comprehensive national security subsusmes a set of 20 security areas, with the primacy given to the political security. These security areas and their prioritisation show China’s version of development and its process.

The overarching theme of the white paper is China’s obsession with internal security, ranging from political and economic security to societal security and food security. This reflects the Party’s anxieties as the white paper also acknowledges the challenging nature of new demands stemming from the spread of liberal principles of democracy.

1			Political security 政治安全 Maintain regime stability and party supremacy
2	↑		Military security 军事安全 Defend against military attacks, prevail in conflict
3	↓		Territorial security 国土安全 Protect borders, territorial integrity and sovereignty
4			Economic security 经济安全 Protect economic stability and manufacturing base
5	NEW		Financial security 金融安全 Maintain stability of financial system and capital markets
6			Cultural security 文化安全 Prevent harmful ideologies and thinking in society
7			Societal security 社会安全 Maintain public security and societal control
8			Technological security 科技安全 Develop science and tech capabilities; increase self-reliance
9			Cybersecurity 网络安全 Defend against cyberattacks; protect critical infrastructure; maintain information control
10	NEW		Food security 粮食安全 Guarantee and expand domestic food production and distribution
11			Ecological security 生态安全 Protect ecosystems; prevent pollution and ecological crises
12			Resource security 资源安全 Guarantee stable supply of energy and other resources
13			Nuclear security 核安全 Modernize nuclear facilities and capabilities; prevent accidents
14	↑		Security of overseas interests 海外利益安全 Ensure development opportunities; protect citizens and assets abroad
15			Space security 太空安全 Maintain access to outer space; protect space-based assets
16	↑		Deep-sea security 深海安全 Maintain access to seabed; protect ability to conduct research and exploration
17	↓		Polar security 极地安全 Maintain access to the polar regions; protect research and exploration ability
18	↓		Biosecurity 生物安全 Protect against biological risks; develop biotech and vaccines
19	NEW		AI security 人工智能安全 Develop AI capabilities; ensure AI safety; strengthen regulation and supervision
20	NEW		Data security 数据安全 Ensure data security and availability; control data flows

Political security comes first. It is the foundation for the maintenance of security in other areas. Political security is followed by military security and territorial security, which is a logical sequence considering that political security cannot exist without the latter two.

While the top three security priorities are hardcore traditional security areas, China has placed economic security right after them, which highlights the Party’s rising concerns regarding the slowdown affecting the country’s economy. This is an implicit recognition of the fact that the growth rates in China have dwindled.

China’s economic insecurities were reflected clearly in the white paper’s call for vigilance against “black swan” events that can shock and upset markets. However, despite this, the white paper says that China is economically and socially stable. This positions China as a source of stability in a chaotic world.



The Taiwan Context:



Taiwan is indirectly part of China's "development-security" strategy since China considers territorial integrity as essential to national development. The white paper sees foreign interference in the Taiwan Strait to be of utmost threat. It accuses external forces of interfering in China's neighbouring affairs, thereby causing trouble in the Taiwan Strait. It further claims that some countries are *"deliberately playing the Taiwan card"* to provoke separatist position. It hints that China's 'core interests' – including the reunification of Taiwan with the mainland – are 'non-negotiable.'

The white paper also mentions that the modernization of China's national security system includes readiness to deter separatism, enhance coastal defense, and reinforce strategic warning capabilities. It further discusses improving early-warning systems, national defense, and military-civil fusion, all of which is relevant to and can be applicable to the Taiwan issue.



The white paper warns that China will not tolerate any challenge to its territorial integrity, as the paper bluntly puts it:

'The four red lines of the Taiwan issue, democracy and human rights, the road system and the right to development cannot be challenged. The one-China principle and the three Sino-US joint communiqués are the political foundation of bilateral relations and must be adhered to.'

This makes it clear that China considers Taiwan to be crucial and integral to China's security strategy, and that any move toward independence will be met with unified resistance from Beijing. Hence through this white paper, one can get a reflection into how Beijing sees the world and its place in it – with the Taiwan issue playing a central, and significant role.





Holistic Security in Action: Rare Earth Minerals and the US-China Trade Deal

On 27 June, when asked about the export of rare earth minerals to the USA, China's Ministry of Commerce said in a statement that it will approve the export of certain applications to the US in exchange for the removal of a series of restrictive measures taken against China. The statement came a day after President Trump and his Commerce Secretary Howard Lutnick confirmed that the two sides had reached a deal.

What China will get?

Ethane, jet engines, and chip software supply from the US; Chinese students can enroll in American universities; lowering of tariffs- currently 30% across-the-board taxes on Chinese goods. Tariffs on steel and aluminum exports and fentanyl trade can also be eased.



What US will get?

The US defence contractors and microchip manufacturers will secure the supply of rare earth minerals and magnets with the easing of the dual-use restrictions by China; China will take steps to curb the flow of fentanyl to Mexico drug cartels.

The trade deal is a recognition of Chinese economic security needs and President Trump's transactional approach to foreign policy. In China, factory profits sunk by 9% on a year-to-year basis in May 2025. They fell by more than 1% year-on-year in January-May. On the other hand, the US economy contracted by 0.5% from January through March in 2025 as the manufacturers and households rushed to buy foreign goods ahead of Trump tariffs.

From a Chinese perspective, the trade deal is another example of a holistic approach to security. China will continue to rake up its offensives in the South China Sea and for the integration of Taiwan, a big part of which includes coming face-to-face with US military might. Simultaneously, China will ensure that its internal security, which hinges on economic stability, is not shaken by any tariff war.



China injects certainty and stability into a turbulent world

The first sub-title of the first chapter tells us about the roles and responsibilities that China has envisaged for itself in the present and evolving world order. China sees itself as injecting stability in the world marked by hegemony and Cold War thinking, placing itself as the leader of the Global South. But more importantly, it is how China sees the world that allows the world to understand how China will position itself in front of the challenges and opportunities. China's worldview is best explained in the white paper itself:

The world stands at a historical crossroads amid new turbulent changes.

“Geopolitical conflicts intensified. Hegemonism, power politics, and Cold War mentality resurfaced. Hegemonic bullying and bullying behaviors such as bullying, plundering, and zero-sum games are extremely harmful. Some major countries disregarded their international responsibilities, “broken contracts and withdrawal from groups”, undermining global stability. Local conflicts and turmoil occurred frequently. The international arms race continued to escalate. Populism and extreme political thoughts emerged. Policy adjustments in some countries produced serious negative spillover effects.”

Western anti-China forces are doing everything they can to contain, suppress, and contain China, implement Westernization and differentiation strategies against China, and carry out infiltration and sabotage activities.”

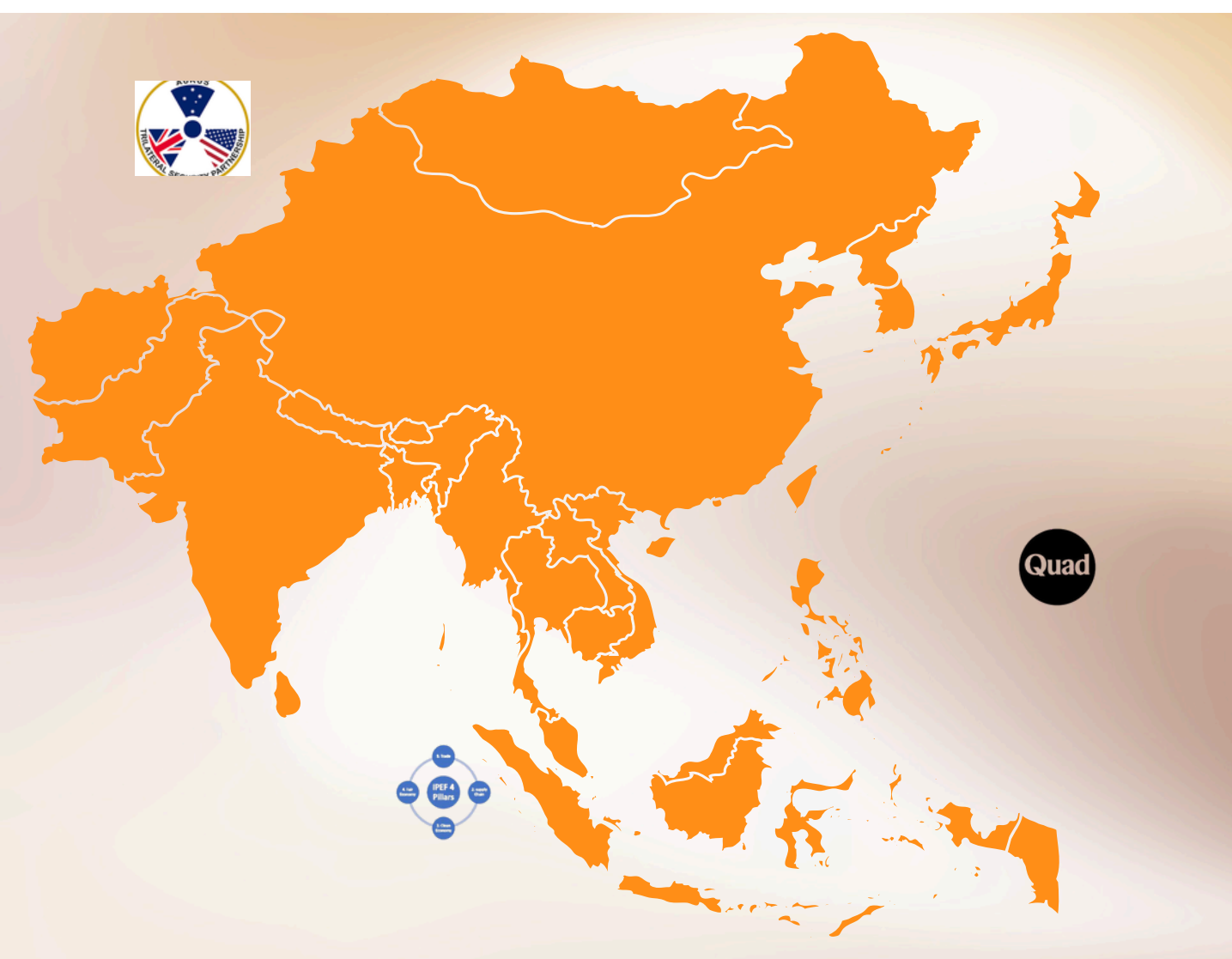
“Some countries have grossly interfered in China's internal affairs, causing trouble in the Taiwan Strait, the South China Sea, and the East China Sea, and frequently causing trouble on issues related to Xinjiang, Tibet, and Hong Kong. Some external forces are deliberately playing the “Taiwan card”, and the “Taiwan independence” forces are stubbornly adhering to their separatist positions and taking risks and provocations. Overseas separatist forces such as “Tibetan independence” and “East Turkestan” are frequently active.”



The abovementioned paragraph identifies the USA as the primary external threat to China's national security, as the paper goes on to mention that decoupling and sanctions have harmed the stability of global supply chains. However, the chapter moves on from the USA to the emerging concept of the Global South, of which China considers itself the leader. It also takes a positive view of the changing world order that it sees as the natural course of progression of human development and logic.

Asia-Pacific faces severe challenges in maintaining overall stability

Asia-Pacific also figures in this chapter as a separate sub-chapter, signifying the region's importance in China's strategic calculus. It mentions that "the security of the Asia-Pacific region faces many severe challenges." "...as it has become the focus of great power competition." Without naming, it holds "some countries" (read USA and its Pacific allies, including Australia, Japan, South Korea, and others) responsible for increasing the militarization and polarization in the region, referring to the "small groups" created by them.



These small groups can be seen as U.S.-led military, economic, and strategic partnerships in the region, including AUKUS, QUAD, SQUAD, Indo-Pacific Economic Forum (IPEF), and other formal and informal groupings. It blames the intervention of external forces for complicating the territorial and maritime disputes in the region.

China remains stable and resilient in mitigating risks

The chapter then talks about China's role in the world. According to it, China has stabilized an uncertain world with China's certainty." It mentions that China promotes multipolarization in accordance with the UN Charter and doesn't yield to force and coercion. Maintaining that it addresses the challenges with methods with "Chinese characteristics", the paper sees China as socially, economically, and politically stable, and growing. This section provides some insight into China's view of its role in the changing world order. This role is that of a stabilizer, something which the current superpower has failed to do, the paper argues.



The overall national security concept provides guidance for national security in the new era

The paper says that China's national security entered a new era on April 15, 2014, at the first plenary meeting of the Central National Security Commission, where the General Secretary Xi Jinping creatively proposed the "comprehensive national security concept." The white paper calls this a comprehensive national security concept, "a first major strategic thought" that was established as the guiding ideology of national security work since the founding of New China. The concept is a part of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era." It refers to the color revolution in the following way:

"China must ensure that the leadership of the Communist Party of China and the socialist system with Chinese characteristics do not change color."

This statement expresses CPC's obsession with internal security challenges. The party's leadership is established as absolute and permanent, with not even symbolic recourse to the principles of democratic polity. This part of the subchapter does not delve deeply into the challenges posed by the anti-government forces inside the country, though it does set the tone for discussion on elimination of all possibilities of regime change within China in its third chapter.





OBJECTIVES

This section brings to the fore the following four objectives of the national security strategy of China:

1

It must consolidate its strategic support in the surrounding areas.

2

It must safeguard national unity and ethnic unity and resolutely oppose any form of separatist activities.

3

It must promote the coordination of its own security and common security.

4

it must promote the benign interaction of high-quality development and high-level security.

Grasping the overall situation is the key

In this section, the document provides an idea of what the CPC regime means by the term comprehensive national security. The paper mentions that the comprehensive national security means “overall” national security or “big security.” It covers politics, military, territory, economy, finance, culture, society, science and technology, network, food, ecology, resources, nuclear, overseas interests, space, deep sea, polar regions, biology, artificial intelligence, data and many other fields, and is constantly adjusted dynamically with the development of society. The paper, however, mentions that “it is not a generalization of security, nor is it the pursuit of absolute security.”

Implementing the purpose of people's safety

The paper calls people’s security the fundamental of national security, saying that “the Party, the people, and the country are a community.” The state’s responsibility for the safety of Chinese nationals extends beyond its borders. In fact, as more Chinese workers are employed in BRI projects across the world, their safety, especially in conflict-prone countries like Pakistan and some countries in Africa, diplomacy for the protection of Chinese nationals has become one of the major national security goals.

It, however, does not mention what constitutes people’s security, which is discussed later in its third chapter.

Persist in putting political security first

The paper, while calling the people's security fundamental to the national security of the country, says that the political security is supreme. Political security precedes everything else, and what does political security mean for the Xi Jinping regime? It means the maintenance of the leadership and ruling status of the Communist Party of China and the socialist system with Chinese characteristics.



In the event that political security is not achieved or the state fails to secure it, the country will succumb to regime change and chaos. According to the white paper, this is what will happen in such a scenario: China will fragment and scatter; rejuvenation of China will be out of question; fundamental and long-term interests of the people will not be guaranteed. In order to make sure that this is prevented from happening, China advises the state to "enhance political sensitivity and political discernment, eliminate various political risks in a timely manner, and prevent non-political risks from spreading into political risks."

Adhere to the principle of safeguarding national interests

China's core (national) interests mainly include: state power, sovereignty, unity and territorial integrity, people's well-being, and sustainable economic and social development. The white paper also mentions the need for respect for other countries' national interests, arguing that China's pursuit of its national interests is mutually beneficial to the world, as the CPC respects sovereignty.

Preventing and resolving national security risks

The white paper calls for the prevention and elimination of all risks. However, the focus should be on risks that can hinder the national rejuvenation. These risks it referred to as "black swan" and "gray rhinoceros" events.

Promoting common international security

The section takes a dig at the hegemonic aspirations of the US foreign policies, especially with respect to its regional alliances in the Asia Pacific to contain China. It calls the idea of hegemony outdated: not that it doesn't exist, but that it is not just and modern. It identifies China as a major power at the international level and says that China advocates a common, comprehensive, cooperative, and sustainable security concept. It further mentions that China puts forward and promotes the implementation of global development initiatives, global security initiatives, and global civilization initiatives, actively participates in global security governance, strengthens international security cooperation, and works with countries around the world to build a community with a shared future for mankind.



Strengthen the Party's absolute leadership over national security work

This is perhaps one of the most important sections of the white paper to understand China's obsession with internal security and the challenges it faces that stem from internal and external sources. White paper identifies CPC at the centre of national security- without CPC, there can be no national security. CPC is the means and ends of national security. It makes a mention of the Central National Security Commission in a way that makes this institution seem representative of the CPC's role in national security. The Commission's objective, it says, is "establishing a centralized, unified, efficient and authoritative national security system and strengthening the leadership of national security work."



Providing solid support for the steady and long-term development of China's modernization

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“Entering the new era, China's national security will resolutely fulfill the important responsibilities entrusted by the Party and the people, focus on achieving national strategic goals and implement the overall national security concept, prevent and resolve various risks in the process of China's modernization, build a solid security barrier for the realization of the great rejuvenation of the Chinese nation, and provide strategic support for promoting world peace and development.”

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Maintaining the Party's ruling status and the socialist system

“The key to China's national security lies in the Party.”

In this section, the paper reiterates the primacy of political security in China, emphasising that the security in other areas is promoted from the perspective of maintaining political security. Security in any other area should improve the ability to prevent political risks, promptly block the transformation channels of risks in different fields, avoid cross-infection, and prevent non-political risks from spreading into political risks, so as to ensure the long-term rule of the Party and the long-term stability of the country.

How can the Party's rule be maintained and, thus, political security achieved? For this, the state must realise the necessity of maintaining the security of the regime, the system, and ideology. Deepening of reforms in the party building system and deepening of “comprehensive” and “strict” governance of the party is envisaged. There is a need for improvement in the socialist system with Chinese characteristics. However, what changes are required is not mentioned, but the paper does say that the socialist system with Chinese characteristics must be strictly and unwaveringly implemented and enforced. It advocates the promotion of multi-party coordination under the leadership of CPC, the ethnic regional autonomy system, and the grassroots mass autonomy system.

The issues of secessionism and sabotage are dealt with in classic authoritarian language of crush and control. There is a need to call out the Westernization and differentiation strategy against China by promoting Western democracy, freedom, human rights, and so-called "universal values." With equal harshness, it advocates for the crackdown on color revolutions and street politics instigated by hostile forces. While color revolutions have led to regime change in several countries in the past, the term 'street politics' here means the anti-government protests. To prevent this, the state must make provisions for the education of national security for the people, making them the first line of defence, which, in open societies, can loosely translate to indoctrination. In this, full and accurate implementation of "one country, two systems" policy is necessary for Hong Kong and Macao



Improving people's sense of gain, happiness and security

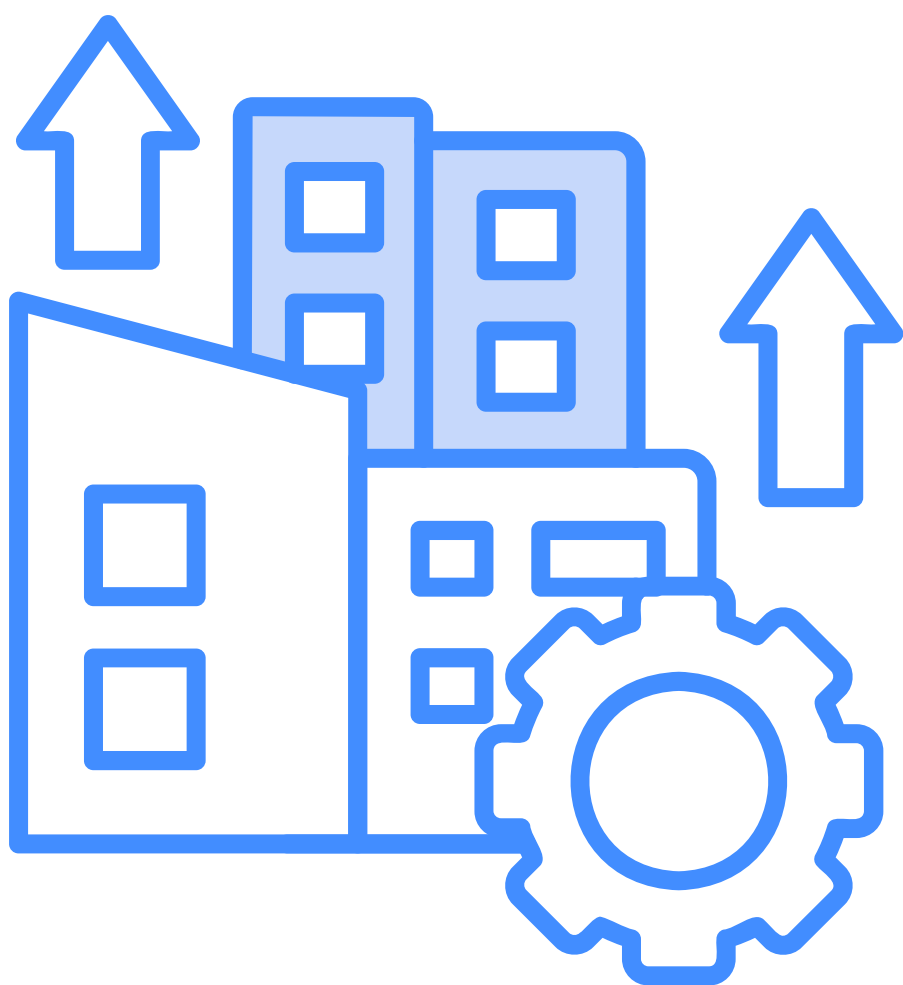
Ironically, in the very next section, the paper lays out a comprehensive overview of what the Chinese state or Party means by people's security. In a very sharp diversion from the scathing attacks against Westernization and democracy, the paper acknowledges the challenges in meeting new demands stemming from the people's growing needs in democracy, the rule of law, fairness, justice, security, and the environment. This reflects CPC's changing stance vis-à-vis the political and civil rights of its citizens, largely driven by the effects of globalization and the internet. This also indicates a possibility of the Chinese state conceding to the opening of Chinese society to the world, albeit in small measures.

In order to maintain the people's security, China identifies the following objectives and the need for their achievement: social stability, production safety, food and drug safety, and prevention of major natural disasters, deepen the special crackdown on violent terrorism. In addition to that, improve the level of emergency management capabilities. and improve the public health system.

Strengthening Security in Development and Pursuing Development in Security

Security and Development:

Through the white paper, it is clear that China considers security and development as directly proportional and mutually reinforcing priorities. It is concerned with balancing both so that they are complementary to each other. It clearly states that “development is the foundation and security is the premise” of national progress, thereby highlighting that both have equally significance. Development problems may turn into security risks, and on the other hand, unguaranteed security may seriously hinder development. Similarly, lack of developments could curb security and unstable security could hinder development. While on one hand, developments could enhance security and on the other, high-level security could accelerate developments.



As a result, both have been presented as inter-wined and significantly importantly for the two ultimate concerns of the nation. The white paper also talks about high-quality development with high-level security- ‘first priority”, and “top priority” respectively. It is concerned with unifying development and security, and jointly planning, deploying, and promoting each other.

“China solemnly promises to the world that it will never seek hegemony, expansion, or sphere of influence.”

The white paper claims that China vows to create a peaceful external environment (promising never to seek hegemony or spheres of influence) and to maintain strict domestic stability through legal means. For example, the white paper notes that China ***“has never taken the initiative to provoke any war or conflict”*** and has enshrined “peaceful development”

China is further concerned with peaceful development and safeguarding the overall social stability at the same time aims to resolve the many uncertainties and risks and challenges that high-quality development faces. It also highlights the need for development through scientific and technological innovation. It stresses upon social governance, rule-of-law, and protection of citizens’ rights as the foundation of security.

In short, this section of the white paper highlights security-driven development and aims to portray the message that China will treat security as an integral part of its development strategy.



Openness:

The white paper further talks about striking a fine balance between self-reliance and opening up and cooperation, and between actively participating in the international division of labor and ensuring national security.

Promotion of High-level opening up

- A preferential tariff of zero will be applied to 100% of tariff items originating from the least developed countries that have established diplomatic relations with China.
- Unilateral entry visa exemption policy is implemented for people from 38 countries, and 240-hour transit visa exemption policy is implemented for people from 54 countries.
- China will actively connect with and actively absorb high-standard international economic and trade rules, orderly expand the opening-up of markets such as goods, services, capital, and labor, and expand the global network of high-standard free trade zones.
- China is building a free trade pilot zone and Hainan Free Trade Port, orderly carrying out pressure tests for opening up, and exploring effective paths for institutional opening-up.

China firmly opposes the abuse of export controls, unilateral sanctions and long-arm jurisdiction. The white paper clearly states that it is against trade/ tariff wars which seriously threatens China's security and development. As far as the US tariff is concerned, the white paper claims it to have seriously infringed on the legitimate rights and interests of all countries. It has criticized the move by addressing it as one which seriously violated the rules of the World Trade Organization, damaged the rules-based multilateral trading system, and seriously impacted the stability of the global economic order.

"The Chinese government strongly condemns and firmly opposes this. China has taken necessary and reasonable countermeasures, which are completely legitimate defense in accordance with international law and international practices."

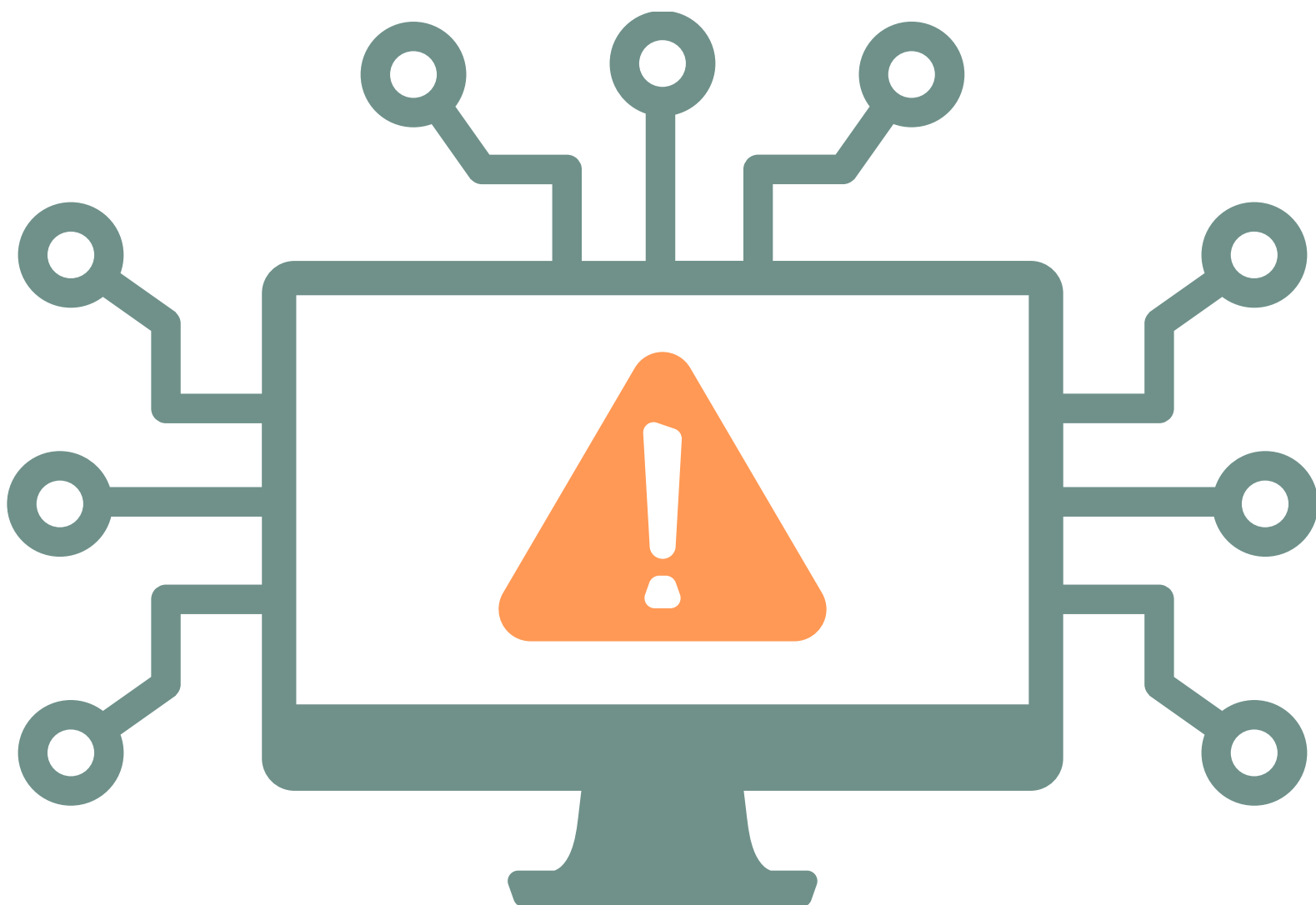
National Data Security:

The white paper then proceeds towards national data security thereby encouraging the reasonable and effective use of data and ensures the free and orderly flow of data in accordance with the law.

'China aims to promote the coordination and consistency of global data security protection standards, formulate and implement laws and regulations such as the Cybersecurity Law, the Data Security Law, and the Personal Information Protection Law.'



The white paper also claims that China is against cyber attacks and that there is neither evidence nor reason for the so-called cyber attacks carried out by China. It emphasizes openness as a distinctive feature of Chinese modernization by stating that over the past 40 years, China's economic development and social stability have been achieved under the conditions of openness and China is determined to continue advancing its developments based on the same.





Implementing Global Security Initiatives and Promoting International Common Security

This section places the Global Security Initiative (GSI) at the limelight, describing it as China's contribution to international peace. China's global security initiative is concerned with the urgent need for the maintenance of world peace and prevent conflicts and wars and provides a new solution for eliminating the root causes of international conflicts. The white paper has revealed that *by the end of 2024, China's global security initiative has been supported and appreciated by 119 countries and international organizations and written into 123 bilateral and multilateral political documents.*

Core Concepts and Principles of the Global Security Initiative



To uphold a common, comprehensive, cooperative and sustainable security concept



To respect the sovereignty and territorial integrity of all countries; to abide by the purposes and principles of the UN Charter



To attach importance to the legitimate security concerns of all countries



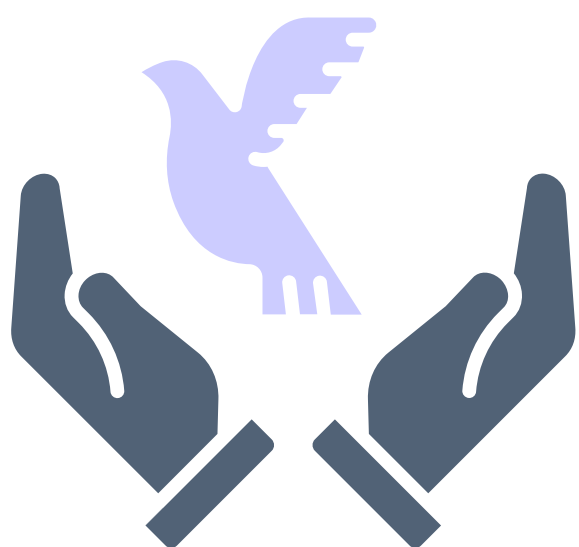
To resolve differences and disputes between countries in a peaceful manner through dialogue and consultation



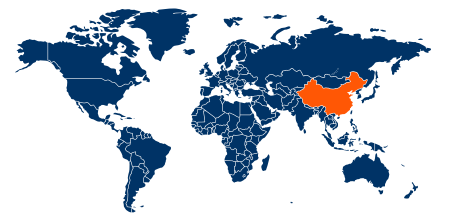
To coordinate the maintenance of security in traditional and non-traditional fields

Common and Cooperative Security:

As per the white paper, China highly advocates common security. *No country can put its own security above the security of other countries, let alone at the expense of the security of other countries.* It firmly believes that building a balanced, effective and sustainable security architecture is an effective way to achieve common security.



China also advocates cooperative security, adheres to dialogue, cooperation, and win-win situations, and resolves differences and disputes in a peaceful manner rather than contests of strength. It defends the authority of the United Nations and extends support to the latter in conducting peaceful dispute resolution. China claims to further support the UN in the international fight against terrorism, global digital governance and rule-making, in global health affairs, and in promoting the development of global education, science and technology, and culture, as well as exchanges and mutual learning among civilizations and inclusive cooperation.



China and the World:

In terms of partnerships, the white paper highlights China's bilateral ties as an example of "good" cooperation. Hence this section presents China as a "stabilizing" force advocating at the same time as a great power with defined and expansive security agenda.

Sino-US Relations

It is considered to be based on the principles of mutual respect, peaceful coexistence, and win-win cooperation. The white paper claims that China is committed to the stable, healthy, and sustainable development of Sino-US relations and the continuation of the traditional friendship between the two nations. It subtly talks about the race to become the global superpower and that neither side can suppress the other from its position of strength or deprive it of continuing its efforts to secure/ maintain its leading position. It clearly states that the One-China principle and the three Sino-US joint communiqués are the political foundation of bilateral relations and must be adhered to. It further states that China is willing to work with the United States to find the means for the two major countries to get along, which would benefit both nations.



China and the World:



China supports and improves regional security cooperation centered on ASEAN. It firmly opposes the efforts to divide Asia-Pacific (denouncing an “Asia-Pacific NATO” or Indo-Pacific blocs) and is determined to work on jointly maintaining peace and stability in the South China Sea and resolving disputes through dialogue and consultation.

It also positions itself as a champion of the Global South, supporting African, Latin American, and Middle Eastern countries in self-led development and security solutions. The white paper portrays China as a peace maker by highlighting its stance to promote reconciliation between Saudi Arabia and Iran and strive to promote a effective solution to the Palestinian issue at the earliest.



In the context of the Russia-Ukraine issue, it portrays China as a significant force in preventing the crisis from escalating further.

All four “red lines” (Taiwan, Hong Kong, Xinjiang, Tibet) are deemed non-negotiable. The text specifically rejects Cold War paradigms, stating clearly that a “new Cold War” or containment of China is “unwise, undesirable, and will not succeed”.



The white paper has given the example of the strategic partnership of coordination between China and Russia as friendly and cordial for promoting the building of a world of universal security.

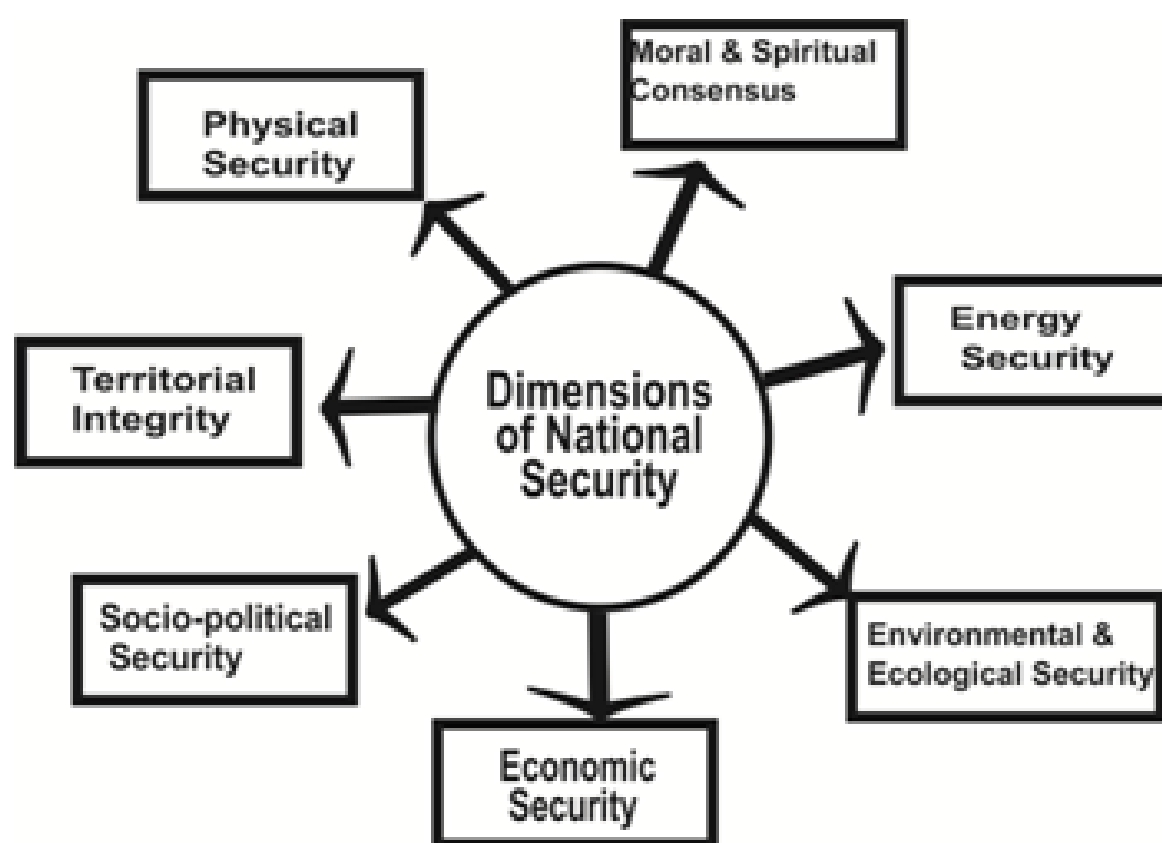
China is committed to deepening ties with Europe and is willing to work to safeguard free trade, defend multilateralism, and work together to deal with global challenges.





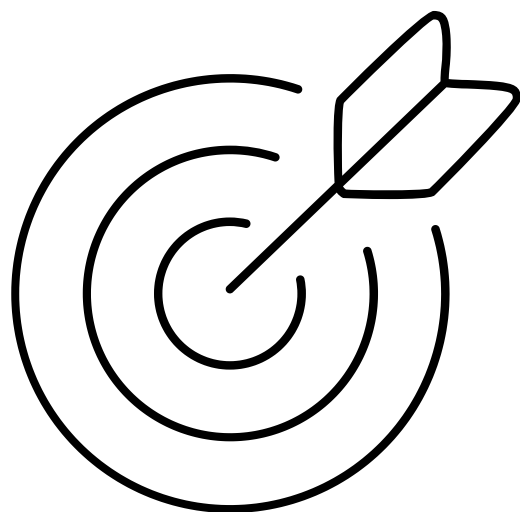
Advancing the Modernization of National Security System and Capabilities in the Process of Deepening Reform

Through this section, the white paper emphasizes systemic integration: all security domains including political, economic, military, cultural, technological which are to be coordinated under unified leadership. The white paper considers promoting the modernization of the national security system and capabilities as a requirement for actively responding to risks and challenges, serving and safeguarding the great cause of building a strong country and national rejuvenation. It mentions Central National Security Commission, the as *'a centralized, unified, efficient and authoritative national security leadership system'* enacting the National Security Law and related regulations, and formulating strategic documents to guide policy.



"In the new era and new journey, China has further comprehensively deepened reform, paid more attention to coordinating development and security, placed safeguarding national security in a more prominent position, and accelerated the modernization of the national security system and capabilities."

The white paper proclaims that preliminary security legal and strategic framework is now in place, along with a country-wide risk-monitoring and emergency response system. It is also claimed that 'large security and emergency framework' and the "four pillars of the modernization of the national security system and capabilities" have been built.



As far as China's targets are concerned, by 2035, China intends to have *"comprehensively strengthened the national security system and capabilities"* and to have *"built a solid security barrier for the basic realization of socialist modernization"*.

The white paper outlines three guiding principles for reform:



Clear goals: Focus on building a safer China at a higher level.



Improve the layout: Integrating the national security system with the public security governance mechanism, social governance system, and international national security mechanism.



Highlight the main line: Improve the system and mechanism for maintaining national security by considering reform and innovation as the driving force, and systematization and mechanism as the main line.

Key initiatives include streamlining the leadership and legal structures: deepening new security laws and enhancing risk monitoring and forecasting. China is also committed to *"strengthen basic guarantees"* by diversifying energy and resource supplies, ensure grain security, reform fiscal/financial systems, and train technical experts. It also calls for building an advanced military *"defense barrier"* through military-civil fusion: deepening joint operations reforms, optimizing defense industry and science, and improving strategic deterrence under civilian oversight. Hence, as a matter of fact, China is determined to bring about developments with reform and innovation as the driving force".

Business Disruptions

LOW



MEDIUM



HIGH



MEDIUM

We assess Medium-level risks stemming from possible future disruptions to trade (especially maritime trade), manufacturing, competitiveness, supply chain, and logistics. These risks stem from the weaponization of rare earth minerals and the supply chain, and counter-strategies including decoupling and intensifying tariffs war. These factors of disruptions are already affecting businesses. Based on China's perception of internal and external security threats in its white paper on national security, we assess further intensification of these factors. However, at the same time, we do not rule out the possibility of High risk events taking place, albeit for short durations.

Risk Category	Risk	Disruptions
Geopolitical Risk and Trade Disruption	- Rising tensions between China and the U.S. (and its allies) as China positions itself against "decoupling and sanctions." - Threats of a tariff war, sanctions, and retaliatory trade measures.	- Global supply chain fragmentation, especially in electronics, semiconductors, rare earth minerals, and green tech. - Increased tariff barriers and non-tariff barriers, causing higher costs and delays for multinational companies operating in or sourcing from China. - Export restrictions on gallium and germanium can disrupt key Western tech industries. - China accounts for 29.8% of global manufacturing output. - A 20% drop in U.S.-China trade could reduce global GDP by 0.5-0.7%, according to the IMF report of 2023.
Maritime Chokepoint Vulnerability	- Potential escalation in South China Sea, the Taiwan Strait, and the Strait of Malacca- all critical for energy and cargo movement. - Increased militarization and "gray zone" operations risk disrupting freedom of navigation.	- Shipping delays and higher insurance premiums. - Rerouting vessels may increase global shipping costs significantly. 33% of global shipping passes through the South China Sea. 85% of China's imported oil transits through the Strait of Malacca. - Closure or conflict in these areas could raise global container shipping rates by 20-30%, per Clarkson Research.
Cybersecurity and Data Localization Mandates	- The paper frames cybersecurity as part of political security, pushing for domestic data control and internet sovereignty. - Foreign tech firms face tighter scrutiny, forced tech transfers, or even expulsion if seen as security risks.	- Costly compliance with localized data centers and security reviews. - Increased risk of data nationalism and cyber retaliations. 2024 saw China block or restrict over 1,200 foreign apps/platforms due to non-compliance, according to Freedom House. - Firms like Apple, Tesla, and Microsoft have had to shift or redesign operations due to compliance.
Tariff Wars & Retaliatory Economic Measures	- White Paper's emphasis on opposing "hegemony" and economic coercion points toward tariff retaliation and export controls. - Reaffirmation of red lines (Taiwan, Xinjiang, Tibet) means that diplomatic triggers could lead to sudden economic actions.	- Tariff volatility across industries such as EVs, solar panels, steel, and agri-products. - Businesses exposed to China markets may become collateral in tit-for-tat sanctions. - During the U.S.-China trade war (2018-2020), U.S. exports to China dropped by 26% (\$35B), affecting soy, aircraft, and semiconductor sectors. - New tariffs or restrictions in 2025-26 could replicate similar GDP losses in exposed economies.

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Risk Category	Risk	Disruptions
Financial & Currency Risks	- The White Paper hints at financial decoupling- China is preparing for worst-case scenarios, including dollar weaponization. - Potential acceleration of Yuan internationalization and digital currency (e-CNY). - Although still small compared to dollar, BRICS aims to promote trade in national currencies, with an ultimate aim to take over dollar with a new currency. This will most likely be Yuan, if BRICS succeeds in its mission.	- Capital controls, repatriation limits, or regulatory freezes on foreign financial entities. - Exposure to currency instability or asset devaluation in Chinese markets. - Foreign investment outflows from China topped \$160 billion in 2024, the highest since 2000. A 10% RMB fluctuation could cost global firms billions in FX losses, especially in sectors with low hedging capacity.
Internal Security Prioritization → Supply & Workforce Risks	Political security is ranked above economic goals; this could trigger: sudden lockdowns, surveillance, or industrial shutdowns in restive regions; and supply-side shocks due to internal unrest or local crackdowns in Xinjiang, Inner Mongolia, Hong Kong, Macao, and Taiwan.	- Forced labor allegations may impact global compliance. - Workforce availability and productivity might suffer from over-securitization or policy unpredictability. - Xinjiang supplies 20% of global cotton; bans affect fashion and textiles. - Forced labor bans cost some U.S. companies millions in diverted supply chains and re-certifications.
Strategic Resource Nationalism	China may leverage its dominance in rare earths, solar panels, EV batteries, and critical minerals as a geoeconomic weapon.	- Reduced access or pricing volatility in minerals like lithium, cobalt, gallium, and graphite. - China refines 87% of rare earths, 59% of lithium, and 65% of cobalt globally. - Disruptions could add 30-60% input cost inflation in global EV and renewable sectors, as per several analysis.
Broader Strategic Implications	Foreign firms face higher regulatory unpredictability, especially with the blurring of commercial and political lines.	- Push factors like security controls vs. pull factors like market access via visa liberalization and trade zones like Hainan. - Expect regional diversification: ASEAN, BRICS, India, and Mexico rise as "China+1" hubs.

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