

The China we have to face

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*On June 22, 2026, I hosted a policy seminar in cooperation with VOKA, Flanders' Chamber of Commerce. During the event, reports were presented on **Europe's dependence on critical raw materials** and the **growing trade tensions between the EU and China**. The reports can be consulted via the references below. Here are my reflections on China's geopolitical rise and its potential consequences.*

On September 7, 2010, a Chinese fishing boat collided with two Japanese coast guard vessels in a contested area of the East China Sea. The Japanese took control of the Chinese boat and arrested its captain. It immediately became clear that the Chinese vessel was not a fishing boat at all, but a sophisticated espionage vehicle.

The Chinese authorities reacted furiously, demanding the immediate release of the boat and the captain. The Japanese authorities initially refused, but then Beijing abruptly cut off all **rare earth deliveries to Japan**, causing panic throughout large segments of the Japanese corporate sector. The boat and the captain were promptly released, and China reaped a major collateral benefit as the prices of rare earths shot through the roof in the slipstream of this incident. **China's quasi-monopolistic position as the worldwide supplier of rare earths** paid off handsomely—economically, financially, and geopolitically.

The "7/11" Incident and Western Miscalculation

We all know what is being referred to when 9/11 is mentioned. The same level of awareness should prevail when **7/11** is mentioned. Indeed, the "boat" incident described in the preceding paragraphs should have made it clear to all of us in the West

that for more than three decades, we completely **misread the ultimate goals and fundamental geopolitical strategy of the communist regime in Beijing**. The rare **earth policy** pursued by the Beijing regime can be considered most typical of that regime's overall approach, which is based on dictatorship at home and **deception, coercion, and protectionism toward the rest of the world**.

There is a collective responsibility in the West for having been blind for too long to the **"Beijing reality"**. We should have realized much earlier what European Commission President Ursula von der Leyen claimed in August 2025 when she accused the Chinese regime of **"a pattern of dominance, dependency, and blackmail"** to bankrupt industrial competitors. This strategy is the cornerstone of **Xi Jinping's overarching goal to achieve "the great rejuvenation of the Chinese nation"** or, in the words of political scientists Hal Brands and Michael Beckley, to see China rise to be **"the geopolitical sun around which the system revolves"**. Most of us in the West fell into the trap described by China expert Richard McGregor of **"confusing Western beliefs about how China should reform with the Communist Party's own convictions about how to govern the country."**

The Aftermath of Mao's Death

To understand China's strategy and objectives in 2026, a historical perspective is needed. After Mao Zedong's death in September 1976, a fierce battle took place between the Gang of Four, led by Mao's widow, and the reformers led by Deng Xiaoping. The Gang of Four wanted to double down on Mao's lunacies, such as the Great Leap Forward and the Cultural Revolution, which primarily produced mass murder, repression, chronic famine, and widespread lawlessness. It was a close call, but in the end, Deng triumphed. However, the radical Maoists never conceded defeat and retained substantial power and influence—a part of the Chinese political reality that Western politicians, businessmen, and commentators systematically ignored.

There can be no doubt that the reforms inspired by Deng produced fabulous results, not least because the rest of the world, and more particularly the U.S. and the E.U., welcomed the new China with open arms and, more importantly, with open markets. Within a few decades, 800 million Chinese were lifted out of extreme poverty, and China became the factory of the world. Western consumers enthusiastically welcomed the tsunami of cheap products "made in China," and Western businessmen stumbled over each other in their urge not to miss out on the party.

Western Expectations of Liberalization

Leading political leaders of those days, like Bill Clinton, Tony Blair, Angela Merkel, and George W. Bush, were unequivocal in their speeches: China's huge economic progress would, as if guided by an invisible hand, lead to political liberalization and integration into the Western democratic order. Prominent economists were equally enthusiastic. In April 2000, more than a hundred economists, among whom were such luminaries as Nobel Prize winners Paul Samuelson, Milton Friedman, Robert Lucas, Robert Solow, and James Tobin, published an "Open Letter to the American people" in which they passionately pleaded for China's accession to the WTO because that would "deepen China's commitment to economic reforms, promote economic development and freedoms, and advance the rule of law."

Things didn't work out that way, to say the least. However, we should and could have been better at reading the tea leaves. An admonition that Deng Xiaoping repeated incessantly was: "**Observe calmly, secure our position, cope with affairs calmly. Hide our capacities and bide our time. Be good at maintaining a low profile and never claim leadership.**" Why hide one's capacities? Bide our time, with what purpose? We in the West never asked these questions systematically, not even after the publication of the secret journal of Zhao Ziyang in 2009. Zhao was China's prime minister from 1980 to 1987 and general secretary of the CCP from 1987 until 1989. After the horrible events that happened at Tiananmen Square in 1989, he was deposed.

Zhao noted in his secret journal that Deng, too, was convinced that **China's position in the world could only be at the top**. Deng, Zhao wrote, "**was particularly opposed to a**

multiparty system and to Western-style separation of powers." For Deng, the **all-dominating power of the CCP** could in no way be challenged. He was apparently well aware of where China could find positions of real power. Already in 1987, Deng claimed that "**the Middle East has oil; China has rare earths**" (that's 40 years ago!). During inner-party meetings in the days of the Tiananmen uproar, Deng firmly insisted that the protesters needed to be crushed because "**their goals are the establishment of a bourgeois republic entirely dependent on the West.**" The number of protesters who died in the bloody repression of Tiananmen Square ranges from 300 (Chinese government) to over 3,000 (Red Cross estimates) to more than 10,000 (diplomatic sources).

WTO Accession: A Strategic Maneuver

The crown jewel in China's strategy to aim for **dominance** was the country's **accession to the WTO** at the end of 2001. A thorough analysis of China's behavior in the context of the WTO concluded in 2021: "**China's behavior toward WTO and its trading partners is that of a nation that knew what it had to promise to enter the organization, but its subsequent actions have demonstrated that it never intended to keep those promises. Decades of gaming the global trading system and failing to meet WTO commitments have enabled China to accumulate tremendous trade surpluses and foreign currency reserves which it uses to pursue domestic and foreign policy objectives.**" Allowing China to join the WTO was, as a recent book has it, "**the world's worst bet.**"

We urgently have to face the reality that was already laid out ten years ago by the American diplomat and China expert Michael Pillsbury: that China is running a "**hundred years marathon**" with the aim of "**replacing America as the global superpower.**" It should be abundantly clear to all of us that the present Chinese strongman Xi Jinping will bet everything on indeed winning that hundred-year marathon, and preferably before Pillsbury's hundred years have expired.

Key Elements of China's Economic Model

The basic economic model of China is a crucial ingredient powering this hundred-year marathon. This model basically consists of seven major elements:

- **Protection of the Chinese internal market**
- **Building up industries, mainly with the aim of gaining leverage over the West in economic and political terms**
- **Subsidizing the chosen sectors/industries, directly and indirectly** (for example, through demand stimulus)
- **Relentlessly utilize industrial espionage and intellectual property theft** to acquire Western technologies and production techniques, which are then meticulously perfected. Former U.S. National Security Director Keith Alexander described China's theft of intellectual property as "**the greatest transfer of wealth in history.**" According to former CIA Chief of Counterintelligence James Olson, "**there are spies, and then there are Chinese spies. China is in a class by itself in terms of its espionage, covert actions, and cyber capabilities.**"
- **Develop considerable economies of scale** in targeted industries that underpin international competitiveness.
- **Keep the currency systemically undervalued** to further fuel international competitiveness.
- **Open the export gates** and attempt to eliminate any remaining Western competition.

China's recent incursion into the sustainable energy sector and the electric car branch can be considered typical of the country's overall strategy. Those who believe this incursion was inspired by climate- or ecology-related considerations should urgently reconsider. China generates 70% of its electricity from fossil fuel-based plants, mostly coal. Meanwhile, Europe's decarbonized electricity sector is almost entirely in Chinese hands.

Other countries have pursued similar strategies before, but it is the **scale, consistency, and intensity** with which China has done so that is truly astonishing. China's economic and industrial strategy has destroyed large parts of the traditional industrial base of the United States, and it appears to be the EU's turn to undergo this destructive strategy. It is illusory to hope that China will backtrack on this strategy, for the simple reason that its internal problems are mounting. Nine key issues stand out:

Mounting Internal Problems

- The three traditional pillars of fast economic growth in China were real estate, infrastructure, and exports. The first two of these growth engines are now out of steam. The **housing bubble within China is of truly epic proportions**, and authorities clearly do not know how to effectively deal with the huge overcapacity and the accompanying mountains of debt. Real economic growth in China has in recent years been much closer to 2% rather than the official 5%. To quote a China-watching journalist: "**Chinese official statistics are not science fiction but Chinese fiction.**"
- The Beijing government has several times announced its intentions to switch to increased internal demand as a driver of economic growth. However, this switch will not happen due to economic and political reasons.
- In terms of overall debt (public and private), **China is now at the absolute top position in the world debt league** (with official numbers substantially underestimating the true extent of China's debt explosion).
- **Chinese demographics are particularly worrying** (the working-age population is set to decline from approximately 950 million to below 750 million by 2050).
- The **overcapacity that has been built up in major sectors of the Chinese economy is massive.**
- **Sky-high youth unemployment:** The Chinese authorities stopped publishing official data on youth unemployment, but most analyses conclude that approximately one in three Chinese youngsters is unemployed.

- **Wealthy Chinese citizens and businesses are frantically trying to shelter their assets outside China** in places like Dubai, Singapore, and the US. Annual capital flight is estimated to be between \$300 and \$500 billion.
- **Public discontent and anger are growing**, fueled by the elite's rampant corruption, the suffocating social control system, the lack of meaningful social security provisions, an undependable rule of law, and poor work quality.
- There is increasing tension between, on the one hand, the iron fist with which the CCP tries to maintain **strict control of society and citizens** and, on the other hand, the **intellectual and societal freedom needed to fuel the innovative capacity of the economy**. An increasingly dystopian dictatorship cannot possibly create a self-sustaining innovation economy. In the trade-off between **stringent control** and **vibrant creativity**, Xi Jinping will always prioritize the former.

The result of the multiple internal issues the Chinese authorities increasingly have to deal with is a **doubling down on the strategy focusing on export** to drive much-needed growth, in order to better control those internal tensions. With the US now more closed off to Chinese products, Beijing's focus is more than ever on the European market. We will also see a **doubling down on the strategy to acquire quasi-monopolistic positions within important supply chains**, as has already been achieved with rare earths.

The West's Underestimation of China's Ambitions

The European policy world should take much more seriously the **threat of the Chinese economic and industrial strategy aimed at dominance and the geopolitical power** that comes with it. We can no longer ignore China for what it really is. The CCP, as Ian Williams warned in his book *The Vampire State*, "is a master of righteous indignation, manufactured outrage, and **skillful hiding of its true intentions and objectives**." We should have paid more attention to the warning voiced in 2018 by Singapore's top diplomat Kishore Mahbubani, who concluded that Francis Fukuyama's "end of history" argument "provided the opium to justify a complacent autopilot strategy at the precise moment when the West should have switched on its competitive engines."

Colleague Hildegard Bentele (MEP – EPP) outlined the EU's plans with respect to reducing its rare earths dependence on China. Hopefully, they can be realized, but more is needed to counter China's strategy aimed at economic and industrial dominance. Otherwise, *The Economist* drew the unfortunately accurate conclusion half a year ago that for the Chinese leadership, the EU has become "a has-been ... with bureaucrats in Brussels ... that do not strike fear into the hearts of the hard men in Beijing."

Fear and power are the only things that truly have an impact on the Beijing elite of the CCP.