LEGACY OR LIABILITY?

Auditing U.S. Alliances to Compete with China

Christopher S. Chivvis, Kristin Zhu, Beatrix Geaghan-Breiner,
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Executive Summary

Allies are essential to U.S. strategic competition with China but carry costs and risks that require continuous, realistic management. Polarization in Washington has unfortunately impeded the correct approach: critics on the right are too narrowly focused on military power while advocates on the left underplay the real costs and risks involved in U.S. defense commitments.

Across the political spectrum, experts are now calling on allies to shoulder more of the burden for security in the Indo-Pacific. This is positive, but plans to deepen U.S. alliances also need to weigh allied political will and the danger of being drawn into conflicts that do not serve vital U.S. interests.

This report inventories these costs and benefits for seven key alliances across eight core areas of U.S.-China strategic competition. We conclude that:

- **Japan** can further U.S. aims with China across all eight categories, especially as its defense spending increases. It is willing to cooperate in several key areas and poses low risk of entanglement.

- **Australia** can make contributions at a more modest level. Political will to cooperate with the United States has increased but is not steady. Risk of entanglement is low.

- **South Korea** is reluctant to use its economic and military power to counter China, but poses a substantial military burden and risk on the United States. Chip manufacturing and other nonmilitary capabilities help strengthen the case for the alliance.

- **Key European allies—France, Germany, and the UK**—will have a limited military role in the Indo-Pacific, but can support important technological, diplomatic, and political objectives of U.S. China strategy.

- **The Philippines** has advantageous military geography—but lacks other benefits and poses an entanglement risk in the South China Sea.

We stress that if Washington consistently pursues a statecraft that undermines allied trust in the United States, allied leaders will not support U.S. global objectives, weakening America's hand in competition with China. Some recent U.S. policies, such as the Trump administration's broad tariffs, appear to have eroded trust.

The United States does not need a revolution in its alliances, which remain a source of strength for America at a time when U.S. power is under strain globally. But Washington does need to move with greater caution when deepening them. Ensuring alliances serve the needs of American citizens at a time when the world is in flux will require realism, periodic reassessment, and continuous adaptation.

Introduction

Alliances remain crucial to American statecraft in an era of great-power competition, but not all alliances are equally fit for purpose when it comes to the China challenge. This report assesses seven key allies' concrete contributions to U.S. China strategy—and their limits—across military, economic, and technological domains, factoring in each ally's capabilities, political will, and entanglement risks. The comparative analysis indicates that while some alliances bolster U.S. aims vis-à-vis China, others offer more modest benefits, sometimes with greater risks.

Whether U.S. alliances are fit for purpose is an essential question U.S. policymakers must constantly be asking and answering. Presidents Donald Trump and Joe Biden debated it. Trump has been skeptical of allies while Biden warmly embraced them. Both approaches had merits, and both had drawbacks. The fact is, alliances are not inherently good, as Biden evinced, nor inherently problematic, as Trump often has. Alliances can greatly amplify a nation's political, military, and economic strength—but they can also entrap nations in unnecessary wars, create security dilemmas, and drain resources.

The key question U.S. strategists and policymakers must confront today is whether the costs associated with current U.S. alliance structures are justified by their benefits. Some see the durability of U.S. alliances as a sign of their success, but durability may simply reflect habit. The historical legacies of America's alliances of course offer benefits—better working relationships between allies, for example—but at the end of the day, if U.S. alliances do not yield concrete benefits toward America's key strategic goals, serious reforms will be needed.

New Thinking About Allies

A number of prominent experts now recognize the need for fresh thinking about U.S. alliances, but more can be done. On the positive side, recent discussion of alliances has broadened to include more attention to economic, technological, and diplomatic power. For example, former Biden officials Kurt Campbell and Rush Doshi have emphasized the need to develop the nonmilitary dimension of U.S. alliances in Asia by deepening allied capacity across the board.[1] Also on the positive side, Republican and Democrat-aligned experts, such as Elbridge Colby and Ely Ratner, have emphasized the importance of U.S. alliances paying clear and concrete benefits to the United States.[2]

Both the broader perspective and the emphasis on benefits to the United States are welcome and are central to this report. This study emphasizes the need to consider two additional factors, however: allied will and entanglement risks. Doing so provides a more complete cost-benefit picture of what allies truly contribute—and where Washington could exercise more caution.

To begin with political will, it is one thing for an ally such as Japan to express growing concern over China's behavior, another for them to adopt Washington's preferred China strategy. Treating allies as more than "tripwires, distant protectorates, vassals, or markers of status," to borrow Campbell and Doshi's phrasing, means more than asking allies to contribute capability—it also means accepting that they are independent and sovereign actors whose interests align only imperfectly with the United States. Grand plans for strengthening U.S. alliances need to face up squarely to the reality that allies have wills of their own. Doing otherwise runs the risk that in an effort to bring them around to U.S. strategy, Washington will end up offering allies more security protection than is warranted—thus opening the path to greater strategic overextension.

Entanglement—being dragged by allies into conflicts of limited U.S. interest—has been debated in academia but needs to be taken seriously in policy discussions.[3] Skeptics argue that evidence of entrapment in recent decades is limited to a handful of cases. If U.S. relative power is declining globally, however, the risks of entanglement may increase as U.S. adversaries act more boldly and create more crises, each of which offers the chance for U.S. entanglement. Meanwhile as U.S. relative power wanes, Washington may become more concerned about demonstrating its will and the strength of its commitments—and therefore more willing to adopt risky policies when the crises do arise.

Fear of entrapment or entanglement should obviously not be the sole consideration in determining U.S. alliance relationships, but those who argue that Washington can manage all its entanglement and entrapment risks down to acceptable levels are underestimating them. Entanglement is often conceived in terms of being dragged inadvertently into a war

on account of a crisis, but some of the costs of entanglement occur well below the level of all-out war. Moreover, even if the probability of entrapment in an all-out war is fairly low, the risk varies from one case to another, and in all cases, the consequences of being entrapped in a war with China would be extremely high. At a minimum, those who downplay these risks put a very high level of confidence on Washington's capacity to consistently conduct a skillful diplomacy that maintains sufficient flexibility to avoid war.

What Allies Can Bring to Strategic Competition with China

This report thus combines these three key elements of assessment—what an ally can bring, its will to cooperate, and the risk of entanglement—while taking a broad view of alliances that goes well beyond the military dimension. The focus is on support to U.S. strategy toward China. China is one of the central, or potentially *the* central challenge of U.S. foreign policy in the next decade, and as such it offers an excellent lens through which to consider what U.S. allies bring to the table.

Allies have increasingly been brought into U.S. strategy toward China since its aspirations to great power status became clear a decade ago. The Biden administration was especially conscientious about its use of alliances and other partnerships to strengthen deterrence in the Indo-Pacific, and the Trump administration has also touted the importance of allies in countering China, albeit with less consistency.[4] Recently, Trump's harsher approach to allies, along with his trade policies, have prompted concern among allied capitals about America's reliability as a partner. Public opinion in several of the allies studied reflects a growing perception that the United States may be less dependable or less likely to come to their defense in a crisis.[5]

Allies have increasingly been brought into U.S. strategy toward China since its aspirations to great power status became clear a decade ago.

Too often the U.S. debate about allies has had a primarily military focus. Under the Biden administration, the AUKUS partnership with Australia and the UK was a leading example, as was the expansion of U.S. military basing in the Philippines. When it comes to strategic competition, nonmilitary contributions to U.S. security are hugely important, however. Consider, for example, the importance of allies in building more resilient global supply chains or supporting China-related U.S. objectives in multilateral fora and with third countries around the world.

To develop a more comprehensive framework for assessing U.S. alliances, we examined the written strategies and official policy statements of the Trump I, Biden, and Trump II administrations. From this, we derived eight primary areas where the United States expects allies to contribute to its China strategy:[6]

1. **Preventing the unwanted dissemination of leading-edge technology to China.** As China has advanced technologically, concern that it might equal or surpass the United States in vital national security technology has increased. Policy experts differ over how far the United States should go to limit the dissemination of advanced technologies to China, but very few would advocate for a no-holds-barred approach that permits China (or any country) to gain access to secret military technology or to gain the upper hand in artificial intelligence (AI). The United States thus needs the close cooperation of allies that have advanced technology that could accelerate China's own progress in sensitive technology areas.

2. **Controlling financial investment that would strengthen China's military or national security capabilities.** Whereas the need to prevent the unwanted dissemination of technology is age-old, the desire to restrict investment in certain sectors of China's economy is more recent. These restrictions are often viewed as a corollary to export controls, however, in that they aim to stem U.S. investment in military or other sensitive sectors in China, and with that reduce certain types of knowledge transfer to these Chinese sectors. Allies are less focused on this area than the United States, but their attention is rising. If it chooses to continue down this path, Washington will need the cooperation of allies who are major investors in China's economy.

3. **Providing the United States with alternatives to China-based sources of chip production.** The COVID-19 pandemic underscored the extent to which decades of offshoring production to China had left America vulnerable to supply chain disruption across a range of manufactures. Subsequent efforts to reorient supply chains away from China through a process of friend-shoring is a sensible response, especially in key sectors where a cutoff in the supply of a particular good would be devastating to U.S. security. One such sector is microprocessors. Even though the United States still controls the supply chains of the world's most advanced chips, many legacy chips are still made in China (or in part made in China). The United States needs allies who can replace portions of this supply chain in their own countries in order to reduce the risk that China will be able to control this global market.

4. **Providing the United States with alternative sources of critical minerals.** In addition to the production of legacy chips, the United States also seeks to ensure access to critical minerals. China controls a huge part of the world's critical mineral and rare earth mining and processing, giving it considerable leverage over the United States and other advanced industrial economies. Without critical minerals, it is impossible to produce many

advanced technologies, including some of the most advanced U.S. military technologies. Allies are thus badly needed to build alternative sources of supply. Some allies are more capable of supporting this aim than others.

5. **Providing concrete military support to U.S. deterrence in the Indo-Pacific, through strike capabilities, basing, intelligence, or other means.** Even if strategic competition with China is far more than a military problem, there is no question that military force should and will play a vital role in U.S. strategy. Allies should therefore also be expected to make meaningful military contributions. To date, the military capabilities of most allies pale in comparison to those of the United States, although a few offer weapons that can be added to those of the U.S. military itself. Most allies, however, offer mainly basing or logistical support to U.S. forces operating in the region. Allied contributions to the U.S. intelligence picture, although not uniquely military in nature, also vary greatly.

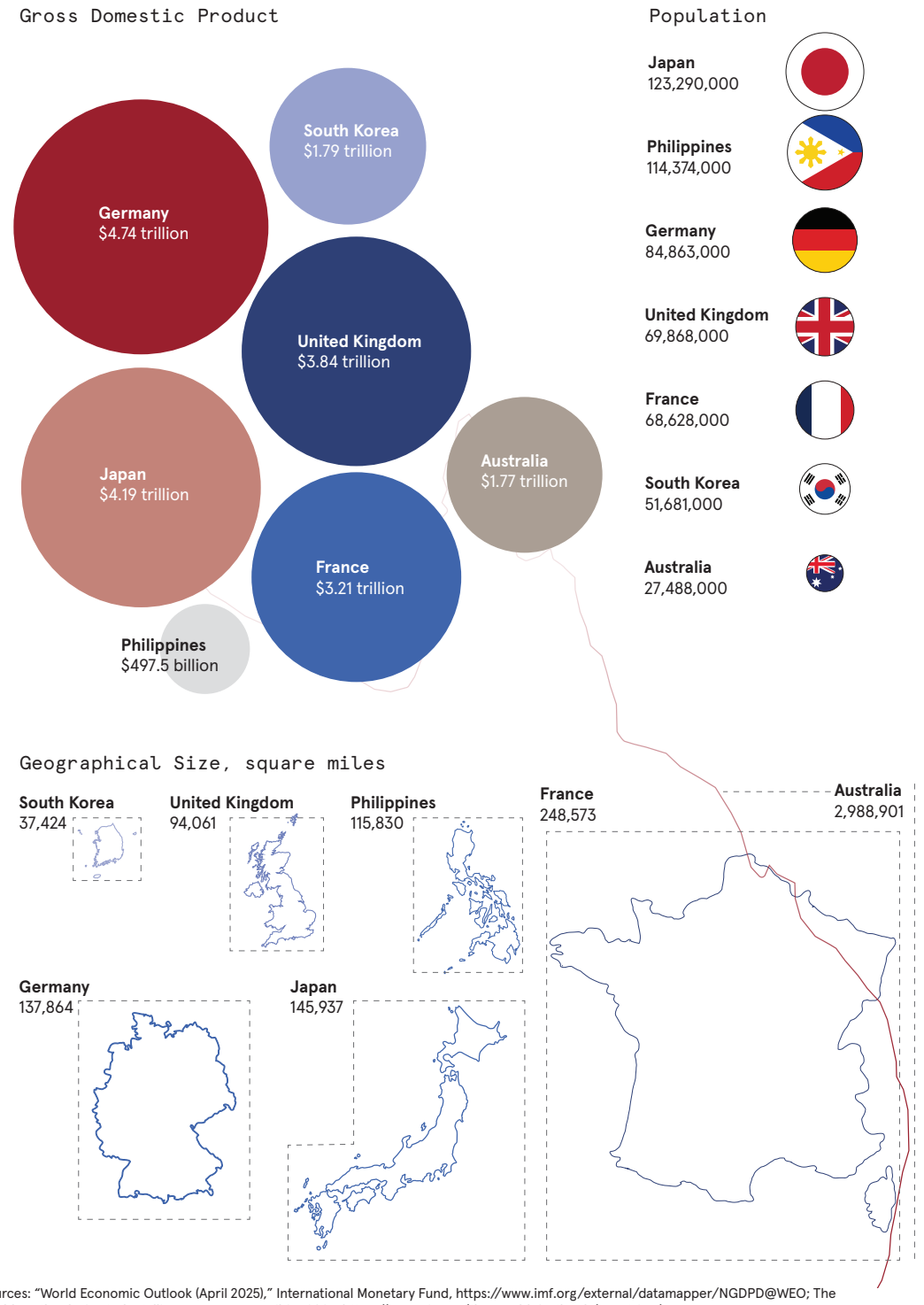
6. **Coproducing important weapons systems with the United States**. Some allies work with the United States to develop or produce important weapons systems. This offers the Pentagon opportunities to reduce the costs of certain advanced weapons systems or solve specific defense production bottlenecks. The benefits of this cooperation are usually considerable for the allies themselves—and strengthening allies is rightly one of the objectives of coproduction. Capacity to make meaningful contributions to U.S. capabilities from co-production, however, is unusual.

7. **Supporting U.S. efforts to sustain U.S. preferences for global order in international institutions.** China increasingly believes that it has so called "structural" power to change the international rules of the game to suit its preferences.[7] This creates a competition for power and influence in today's international and regional institutions. Beijing's vision for world order, while often vague and self-interested, appeals to people around the world who are skeptical of Washington's claim that the U.S.-led world order benefits them. Chinese diplomats have meanwhile become far more skilled at operating in existing global institutions. To shape the future order and prevent a broad adoption of China's preferences, the United States needs allies with sway in the world's multilateral forums—including global forums such as the United Nations and key regional forums such as ASEAN.

8. **Influence with the Global South.** China is actively courting developing nations through initiatives like the Belt and Road Initiative. Allies that can offer alternatives—development aid, investments, and diplomatic support—can help counterbalance Beijing's sway in these regions. The United States obviously does not need to dominate the entire world to protect its interests, but it would be unwise to ignore China's efforts to gain influence in regions where the United States has important interests at stake — and a mistake to overlook the fact that the United States stands to benefit from allies who have measurable influence in third countries around the world.

FIGURE 1

A Comparison of U.S. Allies on Three Key Power Metrics



Sources: "World Economic Outlook (April 2025)," International Monetary Fund, https://www.imf.org/external/datamapper/NGDPD@WEO; The World Factbook, Central Intelligence Agency, April 23, 2025, https://www.cia.gov/the-world-factbook/countries/.

The Costs and Benefits Seven U.S. Allies Bring

This report examines the capacity and will of seven key allies across these eight categories. The allies include the four major U.S. Indo-Pacific treaty allies—Australia, Japan, the Philippines, and South Korea—as well as its three major European allies—France, Germany, and the United Kingdom. We assessed each ally's capacity and will to contribute concretely to the eight U.S. goals, assigning a value of "very important," "somewhat important," and "not important" in each case. These assessments are by nature subjective, but we have made every effort to ensure that they are congruent across the cases by adhering to clear definitions of what we mean by "very," "somewhat," and "not" important in each category—these definitions are provided in a section before the case studies.

The allies assessed were selected in part because they are widely viewed as key when it comes to China. They were also selected because the United States has treaty commitments to defend them, which means they all pose at least a theoretical risk of entanglement—although this risk varies widely as discussed throughout this report. Given the security commitments the United States has made to them, these allies should be expected to provide substantial benefits to U.S. security. Important partners like India or Taiwan are thus not included because the United States does not have a treaty commitment to defend them, although future analysis might usefully focus on them.

U.S. allies have been responding to the rise of China in different ways, and their policies have evolved over the course of the last decade. Few allies, if any, are as seized with the challenge that China poses as Washington has been, but concern has grown especially since the pandemic and China's bungled diplomacy of that era. Allies in Asia have become more wary of China's power and the possibility that it might destabilize the region with its ambition. This has fueled a deepening of U.S. alliances. Recent U.S. policies—the tariffs mentioned above, for example—could counter this trend, however.

Few allies, if any, are as seized with the challenge that China poses as Washington has been, but concern has grown especially since the pandemic.

Allies in Europe have tracked U.S. concern about China to some degree, but the degree has varied substantially by country. Even among the major U.S. allies in this report, there are clear variances. Germany's deep investment in China's auto industry creates headwinds for German leaders focused on meeting the geopolitical challenge from China. Political leaders in the UK have vacillated, while France under President Macron has sought to position Europe as a third pole in a U.S.-China-EU world—although one clearly still linked to the United States. The EU has acknowledged the challenge and sought a strategy of "de-risking" from China that

would avoid economic and political decoupling altogether. China's support for Russia's war on Ukraine hardened Europe's line to some degree, but not enough to bring key European capitals fully into line with Washington.

As of 2025, allied ability to meaningfully contribute to U.S. objectives with China thus varies substantially.

- **Japan** has the capacity to further U.S. aims with China across all eight categories—and is very important in seven of them. The United States thus gains major benefits from the alliance with Japan and at fairly low risk and cost—a balance that will move further in Japan's direction as it continues to increase its military spending.

- **Australia** can contribute to U.S. strategic objectives, albeit somewhat less than some other allies. Compared with other allies, however, this alliance poses a lower risk that the United States would be inadvertently dragged into a war.

- **South Korea** has substantial economic and military power, but it has been very reluctant until recently to use its military to counter China, due to its laser-focus on the threat from North Korea. South Korea nevertheless requires a major investment of military power from the United States and the alliance could lead to war with North Korea—and by extension China.

- **European allies**—Germany, France, and the United Kingdom—can at best only make modest military contributions to deterrence in the Indo-Pacific, but they could be far more important to achieving technological, diplomatic and political objectives.

- **The Philippines'** value stems primarily from its advantageous military geography—but it remains much less relevant on technological and diplomatic measures and presents entanglement risks.

The benefits America gains from any single alliance may also be viewed in the context of the alliance system as a whole. Adding an ally to a network may offer benefits that go beyond those from a purely bilateral relationship—for example, if that ally serves as a crucial node in a network that would otherwise not function. Allies can also add military, economic, and political resilience. The challenge, however, is to determine what the marginal gain from a particular ally may be in terms of resiliency. After all, the more resilient a network of allies grows, the less important any particular ally becomes. A wise strategy would seek to limit U.S. costs and risks as the marginal benefit from adding additional allies diminishes.

Study Limitations

This study brings together a wide range of data sources across what we assess to be the key issues that policymakers should consider in assessing the value of U.S. alliances. It also provides a framework that could be replicated in other cases to further deepen U.S. understanding of the value of its various alliance and partner relationships around the world. It is not intended as a comprehensive assessment of the overall value of U.S. alliances, nor the overall value of the allies assessed. The allies herein are assessed only in relation to their capacity to contribute to U.S. objectives on China. This is obviously very important, but it means that contributions that, for example, France makes to security in Europe are not considered herein.

A second limitation is U.S. strategy itself, which is evolving. We have attempted to assess allies against a synthetic version of U.S. China strategy, derived from primary sources. This is necessary in order to hold some aspects of a complex system constant. We are not intending to claim that the U.S. strategy is ideal—although it certainly has strong suits. A further study might assess the value of these allies against strategic alternatives, and as U.S. strategy evolves it will be useful to further refine or update the major categories. Similarly, as allied contributions shift, reassessment will also be warranted and additional allies may be added. Some important allies and partners have been scoped out of this study—the Netherlands, for example, is significant when it comes to supply chains, and India could bring a range of potential benefits but is not a treaty ally.

The next chapter compares the cases for an overall picture. Individual case studies follow.

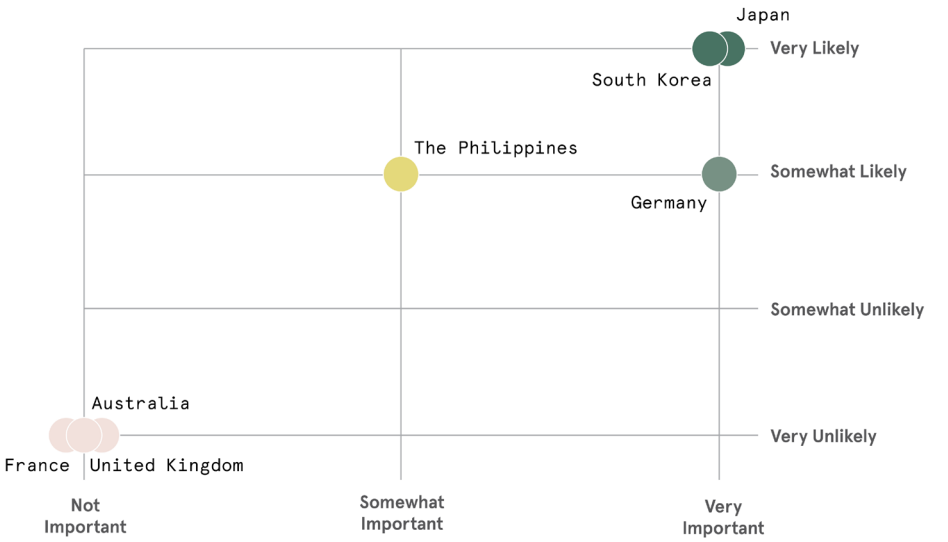
CHAPTER 1

Synthetic Overview

A comparative assessment of our case studies reveals key differences among U.S. allies. Japan clearly stands out, followed by Australia and South Korea. In contrast, European allies, while influential economically and diplomatically, contribute far less to Indo-Pacific military needs. The Philippines, despite its strategic location, has limited capabilities and poses higher entanglement risk. This section details these findings across eight functional areas of competition, from semiconductors to security cooperation.

FIGURE 2

Japan, South Korea, and Germany Are Key to Semiconductor Supply Chains



Note: Not important countries were not rated on the likelihood scale

The United States and its allies currently dominate most cutting-edge chip design and manufacturing, but China dominates legacy chip production and is gaining ground with advanced chips. Our assessment of each ally's importance in reinforcing American semiconductor supply chains is based on the size of the ally's share of global manufacturing, machinery, materials, parts, and chip production capabilities for both cutting-edge and legacy chips. Given China's dominance in outsourced semiconductor assembly and testing (OSAT), we place particular emphasis on allies that have OSAT capabilities. (We recognize that other U.S. allies such as the Netherlands make substantial contributions here, but they are outside our scope.)[8]

Japan, South Korea, and Germany Are Key Allies When it Comes to Chip Friendshoring

Japan, South Korea, and Germany are the key U.S. allies when it comes to "friendshoring" advanced semiconductor manufacturing.

- Japan is the world's third-largest supplier of semiconductor manufacturing tools and controls around 90 percent of the market for photo resistant coating application tools, an indispensable part of the photolithography process for cutting-edge chips.[9] Japan partners with the United States and Taiwan Semiconductor Manufacturing Corporation (TSMC) to create next-generation two-nanometer chips as well as legacy chips. It also has domestic OSAT capabilities.[10]

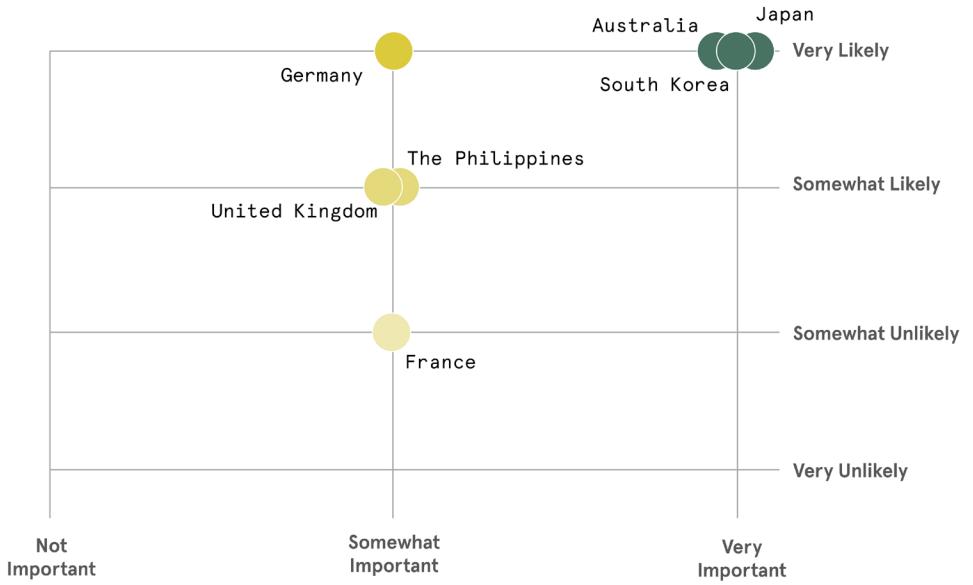
- South Korea is the second-largest semiconductor producer in the world and is constructing the world's largest semiconductor production hub. This should secure their importance in the supply chain for the near future.[11]

- Germany produces an estimated third of the world's high-purity polysilicon used in semiconductors.[12] Leading German companies also supply input chemicals and specialized machine parts required for advanced chip fabrication processes.[13] Germany also has some OSAT capabilities for its semiconductor industry.[14]

These three allies are also likely to be willing to assist the United States with friendshoring. While South Korea and Japan remain wary of antagonizing China, each aligned its supply chains with the United States in response to the 2022 CHIPS and Science Act and have taken legislative action to bolster their roles in the semiconductor supply chain through strategic investments.

FIGURE 3

Australia, Japan, and South Korea Are Key to Critical Minerals



Critical minerals are important for a variety of strategic applications. For the purposes of this study, we focus on twenty minerals used in the manufacturing of advanced batteries, rare earth permanent magnets, advanced semiconductors, and arms production. These applications were chosen as key technologies that will influence future economic and military capabilities in the strategic competition between the United States and China. The full list of minerals and applications can be found in Appendix 3.

Given that these twenty minerals are all relatively scarce and are essential for manufacturing these applications, we do not distinguish on their comparative importance. Allies' raw material contributions are crucial, as U.S. supply chains here are weaker than in chips and more vulnerable to Chinese leverage. To assess the extent to which allies can contribute to strengthening U.S. resiliency in this area, we focused on whether the ally had important critical minerals reserves, large-scale mining operations, or high-volume processing and refining capabilities.

Japan, South Korea, and Australia Are Key Allies on Critical Minerals

- Australia has reserves of most critical minerals, including the world's largest reserves of lithium, graphite, cobalt, rare earths, and high-purity silicon. It is also the first producer of rare earths outside of China. Australia also has potential to produce gallium as a byproduct of other metal production, a key input for advanced semiconductors where China has a near monopoly on the global supply.[15]

- South Korea produces critical minerals for advanced batteries, electronics-grade silicon and high-purity tungsten for military applications. South Korean companies are also leading global producers of precursor chemicals for advanced batteries and are starting to develop production capabilities for rare earth magnets, though these are still at much lower volumes than China.[16] South Korea's Sangdong mine will become one of the largest sources of non-Chinese high-purity tungsten and has received substantial U.S. government support.[17]

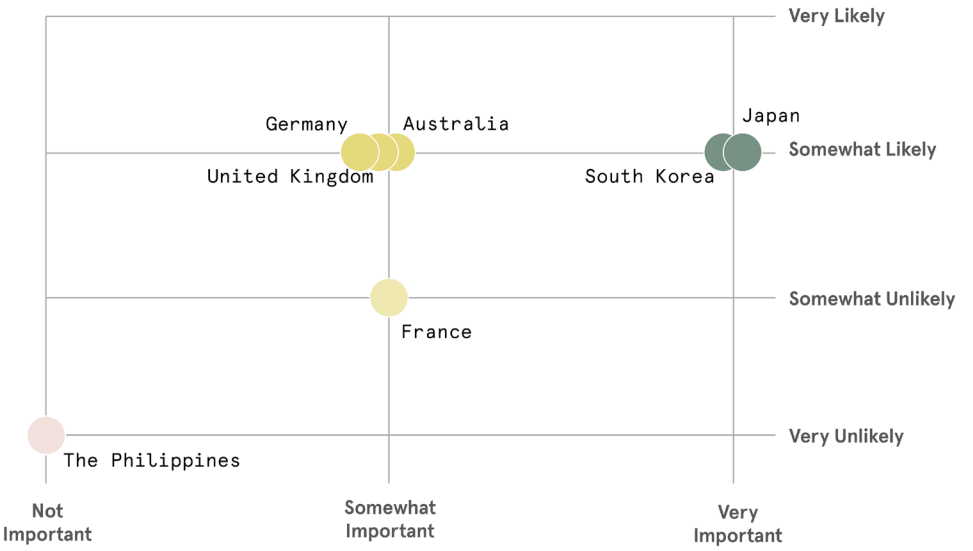
- Japan is also very important for U.S. critical mineral interests for batteries, rare earth magnets, semiconductor chips, and military applications. It has significant volumes of recycled platinum and titanium sponge.[18] It also refines antimony, lithium hydroxide, and high-purity gallium and produces refined nickel product and tungsten.[19] Japan also has strong financing institutions for overseas investments to friendshore critical minerals supply chains.[20]

Germany, the Philippines, the United Kingdom, and France are also able to contribute to strengthening critical minerals supply chains, but to a lesser degree. For example, Germany produces polysilicon for semiconductors and has lithium deposits and refining capabilities.[21] The Philippines is the world's second-largest miner of nickel and the sixth-largest producer of cobalt.[22] The United Kingdom has refining capacity for platinum and the potential for large scale lithium refining.[23] Its tungsten deposit at Hemerdon, one of the largest in the world, could supply significant volumes of tungsten for key defense applications.[24] France has committed efforts to build a domestic critical minerals supply chain including launching a rare earth element production line for permanent magnets.[25]

After the COVID-19 supply chain shocks and due to the risk of China's withholding critical minerals in response to U.S. export control measures, most U.S. allies recognize the importance of reinforcing supply chains, so we expect them to continue to support the process. Some countries, such as the Philippines—and to some extent the UK—face domestic hurdles to developing their capabilities. The Philippines, for example, needs stronger and more business-friendly mining infrastructure and regulatory frameworks.

FIGURE 4

Preventing Unwanted Tech Transfer



Note: Not important countries were not rated on the likelihood scale

U.S. allies still have some sensitive and proprietary technologies—especially microelectronics, advanced computing and quantum technologies, artificial intelligence, and advanced telecommunications—that the United States seeks to deny to China. Those allies' cooperation in preventing unwanted technology transfer will therefore be important to Washington.

That said, U.S. allies have so far done less than the United States to prevent unwanted dissemination of their technology to China. This is largely due to worries over Chinese retaliation and lower levels of concern about the consequences of technology transfer in the first place. Germany's chip and automotive markets are currently very intertwined with China's, for example, making technology restrictions especially vulnerable to such retaliation. Policies are evolving, however, as evidenced by Japan and the Netherlands' decision to cooperate with the United States to limit the export of advanced chipmaking technology to China.

Japan and South Korea Are Currently the Key Allies in Preventing Unwanted Tech Access

- Japan has a competitive advantage in NAND memory, power semiconductors, microcontrollers, and complementary metal-oxide semiconductor (CMOS) image sensors as well as a world-class quantum research industry and a strong biotechnology sector.[26]

- South Korea is also important in this category, although less so than in the past as its technology industry has lost ground to China's.[27] South Korean firms, however, still lead globally in memory-chip technologies and have a large manufacturing presence in China.[28] South Korea has other technological strengths, including AI and telecommunications infrastructure.[29]

- The United Kingdom, Germany, Australia, and France are also important, given their chip design capabilities and quantum computing research. The Philippines is the only ally in our study which is not important when it comes to protecting proprietary advanced technology.

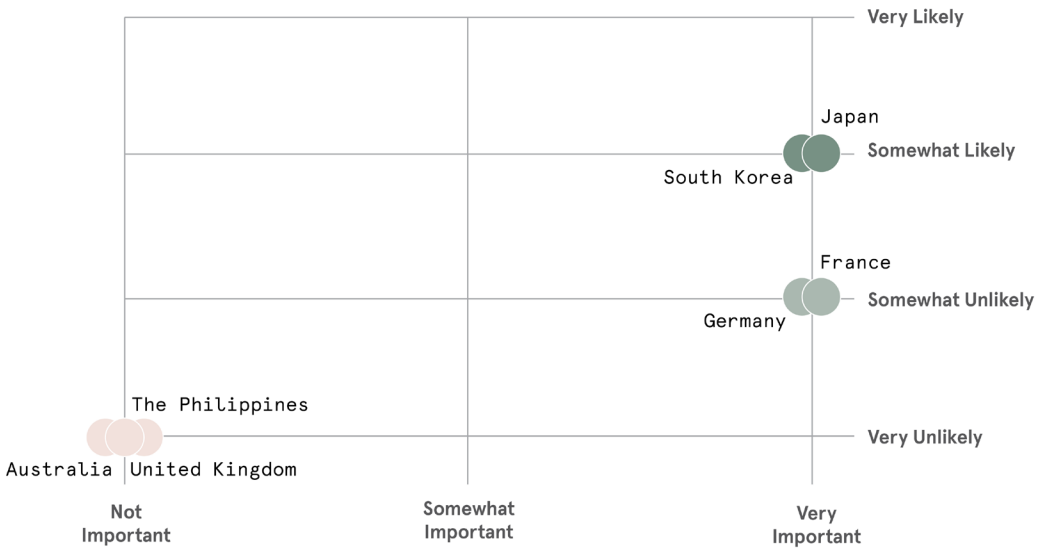
Allied foreign investment in China's technology sector could pose risks if it strengthens China's military capabilities. We thus examined whether allies were important contributors to China's inbound FDI, how much is in advanced technology manufacturing, and whether allies have outbound FDI screening regimes.

Japan, South Korea, Germany, and France Are the Key Investors in China

- Japan was the fifth-largest source of FDI in China in 2024.[30] Japanese companies' investments in China are concentrated in the technology, manufacturing, and automotive industries, such as Toyota's plan to build a new wholly owned EV manufacturing plant in Shanghai to strengthen its presence in the world's largest automotive market.[31]

FIGURE 5

Japan, South Korea, Germany, and France are Key Investors



Note: Not important countries were not rated on the likelihood scale

- South Korea was the seventh-largest source of FDI in China, at $3.51 billion in 2023.[32] The Korea Investment Corporation, South Korea's sovereign wealth fund, is eyeing data centers and AI startups in China's tech hubs, which some argue could facilitate China's AI boom—and negatively affect U.S. efforts to stay ahead.[33]

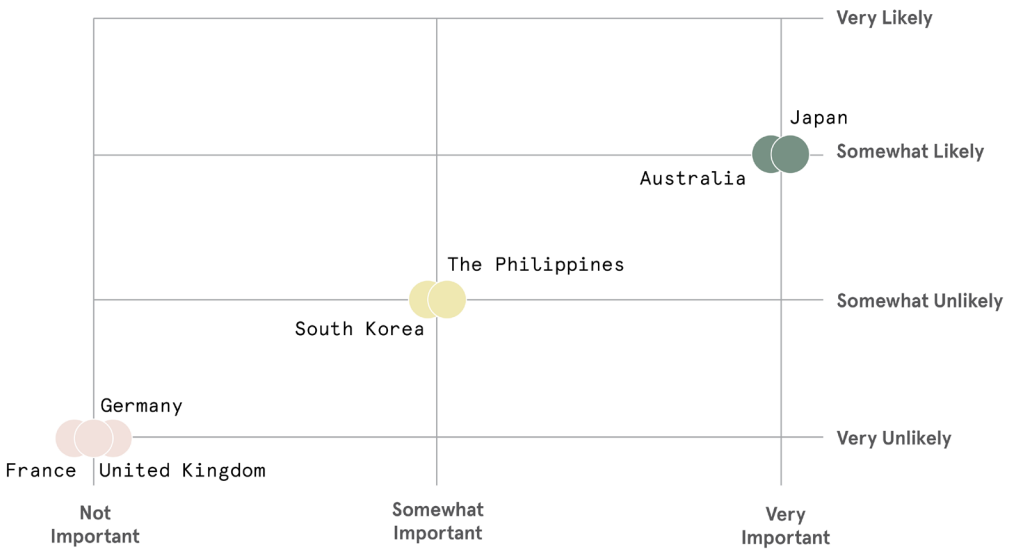
- Germany was the eighth-largest sovereign source of FDI in China in 2024. From 2016 to 2023, it accounted for over half of EU FDI in China; these investments are largely from Germany's automotive and chemicals industries.

- France was the ninth-largest sovereign source of realized FDI into China at $1.34 billion in 2024.[34] France was also one of the fastest-growing sources of direct investment in China that year, and France has invested extensively in Chinese technologies, particularly in AI companies and biotechnologies.[35]

Many allies are in the process of developing their outbound investment screening tools, although they may not place the same emphasis on controls as the United States. The relatively smaller size of their venture capital markets, however, reduces the importance of doing so while the importance of external markets for some—such as Germany, South Korea, and Japan—raises the cost of following the United States' lead.[36]

FIGURE 6

Japan and Australia are Most Important for Indo-Pacific Power Projection



Note: Not important countries were not rated on the likelihood scale

Given the Indo-Pacific's size and distance from the continental United States, the U.S. military relies on allied basing and logistics to project power into the Indo-Pacific. Some allies also offer strike capabilities relevant to regional deterrence.

Japan and Australia Are Growing in Importance

Japan and Australia both have a history of housing U.S. personnel or equipment, engage in consistent logistics coordination with the United States, and have native strike capabilities. Importantly, they would likely—although not certainly—offer support in the event of a war.

- Japan hosts the most U.S. military personnel in the world, with half of those forces stationed in Okinawa, which is only 400 miles away from Taiwan.[37] Okinawa is home to Kadena Air Base, which is the largest combat wing in the Air Force.[38] Japan has also committed to spending two percent of its GDP on defense, strengthening its advanced cyber warfare capabilities, and procuring counterstrike weapons systems.[39] It has advanced anti-submarine warfare, anti-ship warfare, and maritime reconnaissance capabilities.[40]

- Australia's location, strong logistics coordination with the United States, and strike capabilities make it another very important regional military ally. The United States has a sustained rotational Marine Corps presence in northern Australia and expanded access to key Australian air bases such as through upgrading them to accommodate deployments of U.S. B-52 strategic bombers.[41] Australia also conducts bilateral and multilateral exercises with key U.S. allies such as the Talisman Sabre, Pitch Black, and Predator Run multilateral training exercises.[42] Beyond its coordination under AUKUS to receive U.S. Virginia-class nuclear submarines (although under review at the time of writing), Australia is also expanding its missile-defense with acquisitions of U.S. SM-2/SM-6 missiles.[43]

South Korea is home to large numbers of U.S. forces and has its own offensive capabilities. Those capabilities are directed against North Korea, however, and Seoul has historically been reluctant to countenance providing military support to the United States in a conflict with China. The Philippines is also a somewhat important partner due to proximity to Taiwan, but its own military capabilities are limited.

The question of whether U.S. allies in the region would in fact join the United States in a conflict over Taiwan is more fraught than often acknowledged. In the event of a war, several factors would influence allied levels of support for the United States, including

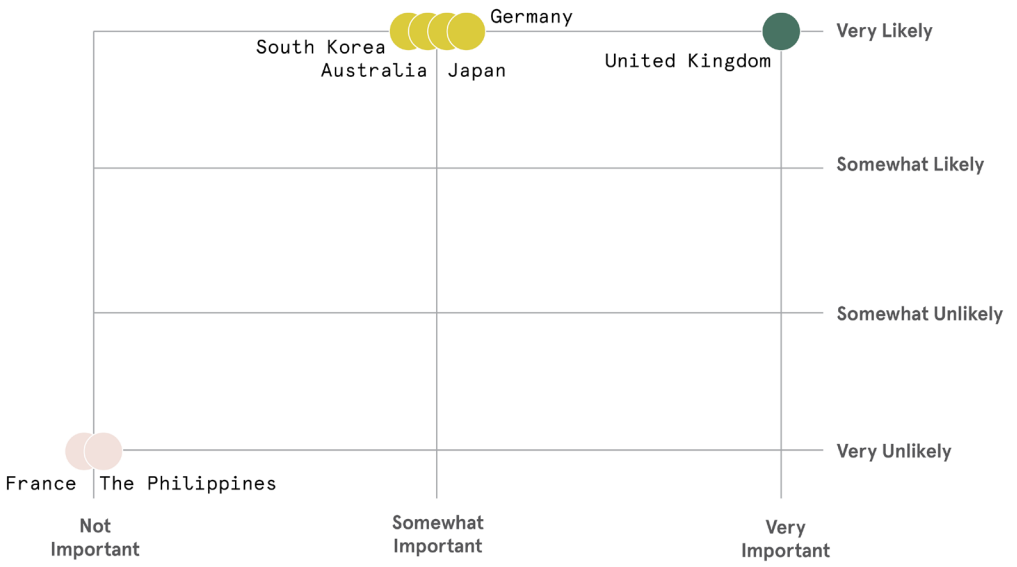
domestic politics, how the conflict began, and China's own threats and efforts to deter their participation. This ambiguity is gradually diminishing as China's assertiveness grows, but it remains a sobering strategic dilemma for Washington.

America's allies in Europe are not relevant in this category today—with the exception of some intelligence contributions of the United Kingdom. European military capabilities are rapidly increasing, but their focus remains, as it should, on securing Europe against Russian aggression.

As Ukraine-related concerns about shortfalls in the U.S. defense industrial base have grown, Washington has looked to allies to help fill gaps. Allies also participate in longstanding co-development initiatives that aim to spread costs and benefits of large weapons platforms such as the F-35. An ally's importance in such areas can best be gauged by their past record, technological prowess, and size of their defense industry.

FIGURE 7

The UK is Most Important in Weapons Co-Development



Note: Not important countries were not rated on the likelihood scale

- U.S.-UK cooperation includes nuclear weapons, stealth technology, anti-submarine-warfare technology, radar systems, satellite technology, quantum computing, advanced radars, hypersonics, and military applications of AI.[44] The UK also has a major financial stake in the F-35 program, to which it enjoys privileged access.[45]

- South Korea's shipyards are increasingly important in light of bottlenecks in the United States.

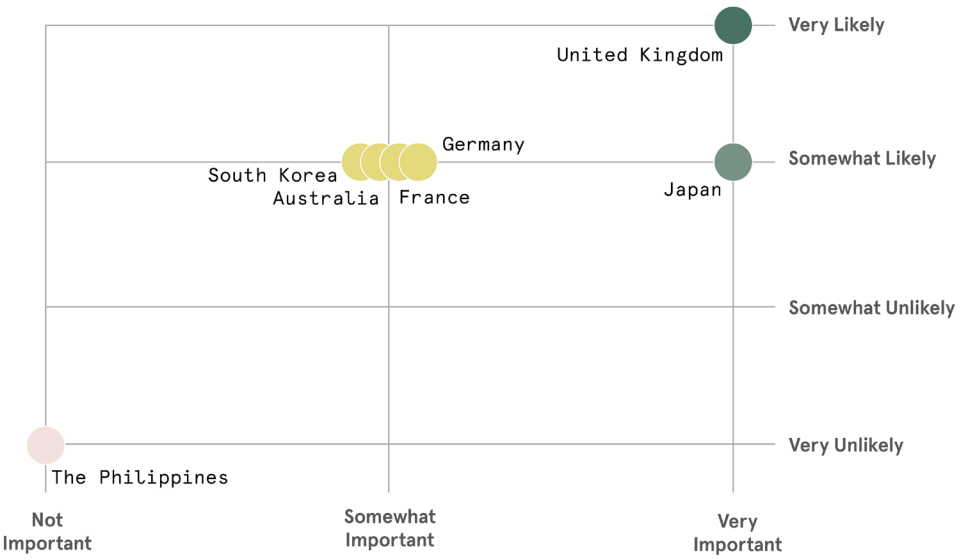
- Japan and Australia are both working with the United States on hypersonics.

- Germany is cooperating with the United States, although the focus is primarily on needs in Europe, rather than priorities for a potential conflict with China.

- France focuses weapons development on European partners; the Philippines has limited defense industry of its own.

FIGURE 8

Japan, the UK, and France are Key in Global and Regional Institutions



Note: Not important countries were not rated on the likelihood scale

Allies can shape structure and outcomes in global and regional institutions relevant to competition with China. We thus assessed allied capability across key international organizations—globally and in the region—through monetary contributions, voting power, and leadership positions.

- The United Kingdom is on the UN Security Council and was third-most-aligned country with the United States in terms of UN votes in 2023.[46] It is also in regional organizations the United States is not part of, such as the Association of Southeast Asian Nations (ASEAN), in which it is a Dialogue Partner, and the Asian Infrastructure Investment Bank (AIIB), where it is ranked ninth in voting power.

- Japan specifically aims to mitigate the potential threat from China's rise with a free and open Indo-Pacific.[47] It plays a central regional role in the Quad, the Trilateral Strategic Dialogue, and the Security and Defense Cooperation Forum, and through other groupings with Australia, the Philippines, and South Korea.[48]

- France's seat on the Security Council makes it very relevant, even though it is less important in Asian regional fora than the UK.

- Germany carries weight in several multilateral forums, including the World Trade Organization, the UN Human Rights Council, the AIIB, and the Asian Development Bank (ADB).[49] It has also been a Development Partner to ASEAN since 2017 and works with the organization under the ASEAN-Germany Development Partnership Committee.[50]

- Australia is seeking to deepen multilateral ties in the Indo-Pacific, is a founding member of the Asia-Pacific Economic Cooperation, the Quad, and the Minerals Security Partnership. It ranked fifth in voting power among members of the ADB in 2024, and sixth among those of the AIIB in total subscriptions and voting power in 2025.[51]

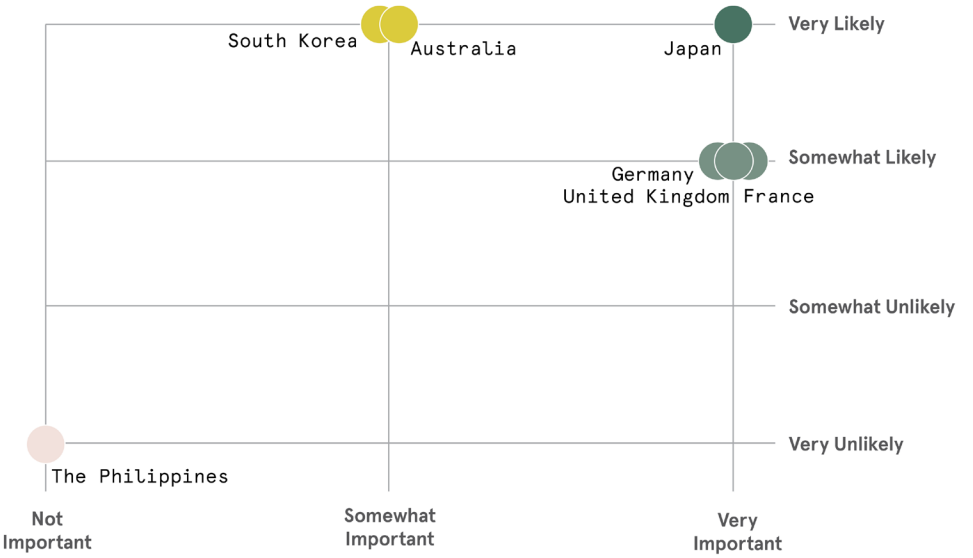
- South Korea is an important player in the Asia-Pacific Economic Cooperation and the fifth- and eighth-largest member by voting power, respectively, in the China-led Asian Infrastructure Investment Bank and Asian Development Bank.[52] It is not a member of ASEAN but works closely with it through the ASEAN-Korea Cooperation Fund.[53]

- The Philippines has less diplomatic clout, but is a member of ASEAN, the Asian Pacific Economic Cooperation, the AIIB, the ADB (whose headquarters is in Manila), and several minilateral fora.

The extent to which allies are willing to align themselves with the United States in international forums when it comes to China varies. The United Kingdom is probably the most aligned in this regard, with the other allies often, although not always, following the U.S. lead.

FIGURE 9

Large Economies Key to Influence with the Global South



Note: Not important countries were not rated on the likelihood scale

The Global South's importance in U.S.-China competition is debated and can be difficult to measure, but it would be a mistake to ignore. Allies with influence stand to contribute, for example, through development aid, finance, and diplomatic weight. We use allied development assistance and institutional capacity for investment as rough proxies for influence. It should be noted that several allies—Europe especially—that have played important roles are now cutting funding.

Very Important: Japan, Germany, France, and United Kingdom

- Japan was the fourth-largest provider of ODA among OECD members in 2024 with $16.77 billion, focused especially on Asia.[54] It also leverages the massive financial power of its development finance institutions, the Japan Bank for International Cooperation and the Japan International Cooperation Agency—again, especially in Asia.

- Germany was the second-largest provider of development assistance in the world in 2024, sending $32.4 billion abroad, with important bilateral amounts in Asia and Africa.[55] Its development finance arm, Deutsche Investitions- und Entwicklungsgesellschaft (DEG),

supports private-sector investments in developing and emerging markets worldwide.[56] Berlin is also a key player in the EU's Global Gateway, a $317 billion initiative for investing in high-quality infrastructure in the Global South to counter China's Belt and Road Initiative.[57]

- France is a major leader in global development assistance and is the fifth-largest donor country in 2024, with assistance amounting to $15.4 billion.[58] It is especially strong in Africa, but also invests in Asia and Latin America, although Paris is careful not to characterize its aid as challenging China.[59] Through its development finance arm, Proparco, it finances private sector projects in Africa, Asia, Latin America and the Caribbean, and the Middle East.

- The United Kingdom was the fourth-largest development lender in absolute terms, with $18 billion in 2024—although set to decline.[60] The UK development-finance institution, British International Investment (BII), has worked closely with its U.S. counterpart, the U.S. International Development Finance Corporation, on joint initiatives.[61]

Somewhat Important: Australia and South Korea

- Australia is the world's fourteenth-largest provider of ODA, but has been especially active in its neighborhood, supporting development in Pacific Island nations—often with the specific aim of countering China's influence.[62] It does not have a dedicated development finance institution, however.

- South Korea is a somewhat important and in 2024 was thirteenth among the providers of assistance. It allocates 54 percent of its bilateral development assistance to Asian countries, providing $1.3 billion in 2023.[63] It has some capacity to compete with China's BRI investments through financing vehicles funded by the Korean Overseas Infrastructure and Urban Development Corporation (KIND).[64]

Observations

The foregoing comparison should help clarify which alliances are worth the most attention and investment from Washington policymakers and alliance strategists. There are real benefits from alliances but also risks and limitations to what can be achieved. Pushing allies beyond what their domestic politics will likely allow or failing to account for the increased entanglement risks with some allies, could thus backfire.

When domestic public sentiment, political leadership, economic interests, or national geopolitical objectives diverge from U.S. goals, allies are obviously going to be far less inclined to support them. Moreover, even though allied concern about the challenge China poses has increased the willingness and capabilities of allies to support U.S. goals, perceptions of the United States are not altogether rosy.[65]

As discussed in detail in the case studies that follow, it would be a mistake not to also consider entanglement risks, which vary widely. Some allies amplify deterrence with little downside (Australia, Japan), while others, such as the Philippines, raise the danger of unwanted escalation for the United States. These risk assessments should factor more clearly in alliance design and management.

The United States should invest in its alliances, but with appropriate realism and restraint. America's alliance network is an asset but must be frequently refined and recalibrated. U.S. strategy should prioritize its relations with allies that deliver the most impact, work with Europe to leverage their potentially strong nonmilitary contributions, and be realistic about gaps in allied political will and over-commitment risks. U.S. alliances can be fit for purpose in the twenty-first century, but only with clear-eyed adjustments to align them with today's strategic realities.

Definitions

Economic Goals

"Friendshoring" aims to minimize vulnerable points in critical supply chains through relocating to or creating redundancies in manufacturing capabilities in allied countries.

Reinforce Semiconductor Manufacturing Supply Chains

Very Important

This ally has a large share of the global semiconductor market. It produces a major share of key semiconductor manufacturing equipment, materials, or parts, and/or it has a large number of cutting-edge chip production capabilities, and/or it has a large role in the production of legacy chips and/or Outsourced Semiconductor Assembly and Test (OSAT) capabilities.

Somewhat Important

This ally has some share of the semiconductor market. It produces semiconductors manufacturing equipment, materials, or parts, and/or it has high-end chip production capabilities, and/or it plays a meaningful role in the production of legacy chips and Outsourced Semiconductor Assembly and Test (OSAT) capabilities.

Not Important

This ally plays a minimal or no role in the semiconductor supply chain.

Increase Critical Minerals Supply Chain Resiliency

Very Important

This ally provides access to significant reserves, large scale mining operations, or high-volume processing and refining capabilities that could supply U.S. critical mineral needs. Alternatively, this ally provides a significant source of non-adversarial production capacity. The identified minerals are grouped by their primary commercial or security application and are listed in the appendix to this chapter.

Somewhat Important

This ally provides access to some supplies of reserves, mining outputs, or processing and refining capabilities of critical minerals on a commercial scale that could supply U.S. critical mineral needs.

Not Important

This ally lacks significant reserves, mining, or refining and processing capabilities that could supply U.S. critical mineral needs and is unlikely to develop these on a commercial scale in the near future.

Technology Goals

Limit China's Access to Advanced Technology

Very Important

This ally has significant advanced-technology production capabilities and intellectual property. It is crucial for developing (and containing the spread of) advanced microelectronics, advanced computing and quantum technologies, artificial

intelligence, biotechnology and biomanufacturing, or advanced telecommunications. Or, it has a significant technology production presence in China, Chinese investments in its domestic advanced technology industry, and/or partners with Chinese institutions on technology development.

Somewhat Important

This ally has some advanced technology production capabilities and holds some share of intellectual property. This ally has some role in the development or production of microelectronics, advanced computing and quantum technologies, artificial intelligence, biotechnology and biomanufacturing, and advanced telecommunications. Or this ally has some manufacturing presence in China and Chinese investments in its advanced technology sector.

Not Important

This ally has little to no advanced technology production capabilities and little to no share of U.S. advanced technology intellectual property or technology production in China.

Restrict Foreign Direct Investment (FDI) in China's Technology Sector

Very Important

This ally is one of the top ten sources of FDI in China's technology sector, or a large share of its global FDI is in manufacturing of advanced technology in China, or it is a leading country in advanced technology production or innovation with few FDI restrictions on sensitive technology or dual-use technology exports.

Somewhat Important

This ally is a source of FDI in China's technology sector but is not one of the top ten sources. It has some technology production or innovation and may have technology FDI restrictions.

Not Important

This ally has little to no FDI in China's technology sector.

Military Goals

Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

Very Important

This ally is geographically close to Taiwan and hosts major U.S. bases, personnel, and materiel; or it can greatly bolster U.S. intra-theater lift capabilities and provide facilities for refueling, intercepting communication, and electronic countermeasures (jamming). It also participates in regular joint exercises to enhance interoperability with the U.S. military. This ally also possesses relevant native strike capabilities, including surface, sub-surface, air, or other capabilities.

Somewhat Important

This ally hosts some U.S. bases, personnel, and materiel, or, it has some ability to assist in U.S. intra-theater lift capabilities and to provide facilities for refueling, intercepting communication, and electronic countermeasures (jamming). This ally also participates in some joint exercises to enhance interoperability with the U.S. military.

Not Important

This ally hosts few or no U.S. bases, personnel, and materiel, or is not located in the region. Or it does not have intra-theater lift capabilities and facilities for logistics assistance and participates little in joint interoperability exercises in the theater.

Co-Develop Military Technology and Weapons Systems with the United States

Very Important

This ally has a robust military technological innovation base and has a record of decades of working with the United States on joint production programs. The United States relies on this ally for the development of one or more of its weapons systems.

Somewhat Important

This ally has some military technological innovation capacity and has worked with the United States on joint production programs. It also possesses capacity for civilian technological innovation with potential for dual-use military application.

Not Important

This ally has little to no civilian innovation capacity and is not a part of joint production programs with the United States.

International Engagement Goals

Actively Participate and Cooperate with the United States in International Organizations and Global Governance

Very Important

This ally is a traditional leader in creating structures for global governance and has major influence in key international organizations. Or it also is a permanent member of the UN Security Council and is a major funder of international organizations. Or this ally plays a major role in key regional organizations through monetary contributions, leadership positions, and votes that blocks China's influence or ascension in these organizations.

Somewhat Important

This ally provides some funding to international organizations. It has periodically worked with the United States on advancing U.S. goals in key organizations. This ally is a part of key regional organizations but does not have substantial influence or participate significantly in them. It has worked with the United States on the creation of multilateral and minilateral international organizations aimed at limiting China's influence.

Not Important

This ally provides little or no funding to international organizations. It does not have a record of working with the United States on advancing U.S. goals in key regional organizations or in multilateral and minilateral international organizations aimed at limiting China's influence.

Estimated Influence with the Global South

Very Important

This ally is a substantial provider of ODA to countries in the Global South. It also has a robust development finance institution that offers alternative funding mechanisms to pivot the Global South's reliance away from China.

Somewhat Important

This ally is a provider of ODA. It has a development finance institution or similar programs that provide funding alternatives to the BRI to pivot the Global South's reliance away from China.

Not Important

This ally provides little ODA or is an ODA recipient.

Indo-Pacific Allies

AUSTRALIA

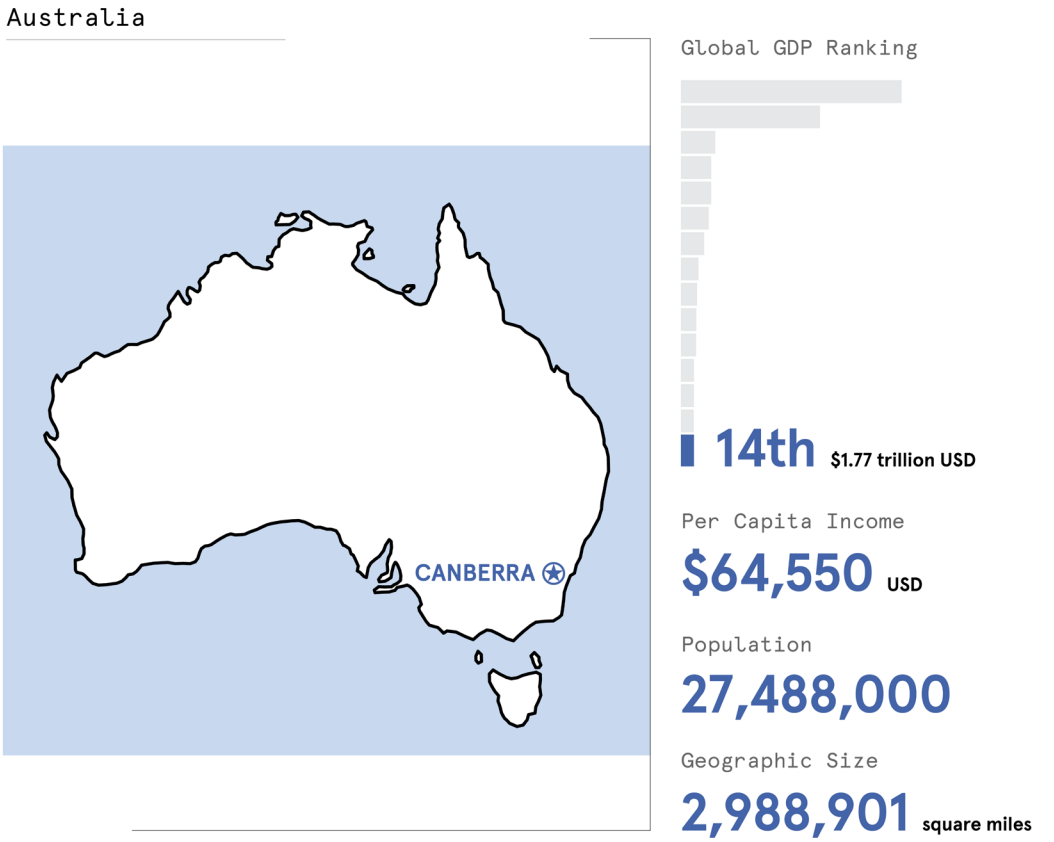
JAPAN

THE PHILIPPINES

SOUTH KOREA

Australia

The U.S.-Australia alliance has received growing attention from experts as Australia's once warm relations with China have run aground. Australia is a capable partner across a range of issues, although it brings fewer resources—military or economic—than some other allies. It is also far smaller in population than the other allies in this report. The alliance with Australia, however, does not demand as much from the United States as some other alliances—there is little likelihood of being inadvertently entangled in a war with China on account of Australia. Canberra is also likely to continue to assist Washington in reinforcing supply chains, limiting China's access to advanced technology, co-developing weapons systems, and providing development assistance to the Global South. It would be very important in a war over Taiwan—though its participation is not guaranteed.



Source: International Monetary Fund. "World Economic Outlook (April 2025)," Accessed May 7, 2025, https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; "Australia and the IMF." Accessed May 9, 2025. https://www.imf.org/en/Countries/AUS; "Australia." In The World Factbook. Central Intelligence Agency, January 21, 2025. https://www.cia.gov/the-world-factbook/countries/australia/.

TABLE 1

Australia Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Not important	N/A
Increase Critical Minerals Supply Chain Resiliency	Very important	Very likely
Prevent Unwanted Dissemination of Advanced Technology to China	Somewhat important	Somewhat likely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Not important	N/A
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Very important	Somewhat likely
Co-Develop Military Technology and Weapons Systems with the United States	Somewhat important	Very likely
Support the United States to Shape the Future of Global Governance	Somewhat important	Somewhat likely
Combat China's Influence in the Global South	Somewhat important	Very likely

Recent Trends in Australia's Relations with the United States

Australia's long-standing relationship with the United States has significantly deepened over the last decade, including with several initiatives for containing China. Its 1952 ANZUS Treaty with New Zealand and the United States is the foundation of the alliance.[66] Since then, Canberra and Washington have coordinated closely on international crises and worked together on counterterrorism in the Middle East and dispute-resolution in the East and South China Seas.[67] Importantly, Australia is a member of the "Five Eyes" intelligence group.[68]

Since their 2005 free-trade agreement, bilateral goods and services trade between Australia and the United States has more than doubled, and two-way investment has more than tripled.[69] In 2023, Australia had the eighth-largest direct investment position in the United States at $116 billion, as well as the fourth-largest trade surplus with the United States at $17.3 billion.[70] The two economies have become more integrated, but the Trump administration's tariff policy might change this.[71]

The 2021 launch of AUKUS was a key development,[72] through which the United States will share advanced nuclear-propulsion and sonar technologies to co-develop nuclear-powered submarines.[73] Following their ministerial consultations in 2023, Australia granted the United States additional access to its airbases and agreed to host U.S. submarines for "regular and longer" visits.[74] The two countries also launched a Strategic Commercial Dialogue in 2022 with the aim of strengthening trade relations, cooperating on critical supply chains, and coordinating responses to common threats.[75]

Prime Minister Anthony Albanese worked extensively with then president Joe Biden bilaterally and within multilateral groupings, such as the Quad with India and Japan.[76] He has said he had "very warm" phone calls with Trump, and the two leaders have signaled their intent to meet to discuss AUKUS and tariffs.[77] The relationship with the United States fared well during Trump's first administration, when Australia was one of only two countries exempted from its tariffs on steel and aluminum.[78] Public opinion about the United States is on a downtrend, however. According to the Lowy Institute, Australians' trust in the United States has fallen by 20 percent since 2024, reaching its lowest level in the Institute's two-decade history.[79]

Recent Trends in Australia's Relations with China

Australia's relationship with China has been turbulent over the last decade. The two countries proclaimed a "comprehensive strategic partnership" in 2014, but tensions mounted from 2017 when Australia's domestic intelligence agency issued a warning about Chinese interference through political donations.[80] In 2018, Canberra introduced anti-foreign

interference legislation and banned Huawei and ZTE from 5G networks, prompting Beijing to cut off diplomatic ties.[81] Relations deteriorated further in 2020 when then prime minister Scott Morrison called for an investigation into the origin of the COVID-19 pandemic in China. In response, Beijing imposed heavy tariffs on Australian goods and detained several Australian nationals.[82]

The Labor government in office since 2022 has pursued rapprochement with China through "strategic equilibrium" and "stabilization," a shift from the more confrontational approach of the previous Liberal-National Coalition government.[83] This has meant softening the rhetoric about China and working to ease mutual export restrictions, while being careful not to distance Australia from the United States.[84] Albanese went to China in 2023 for the first prime-ministerial visit there in seven years, and followed with a second official visit and meeting with President Xi Jinping in July 2025.[85] At the time, he said that, even with the removal of trade restrictions and the restoration of diplomatic contacts, the relationship would likely "remain difficult."[86]

Australia's relationship with China has been turbulent over the last decade.

Risks of U.S. Entanglement from the Alliance with Australia

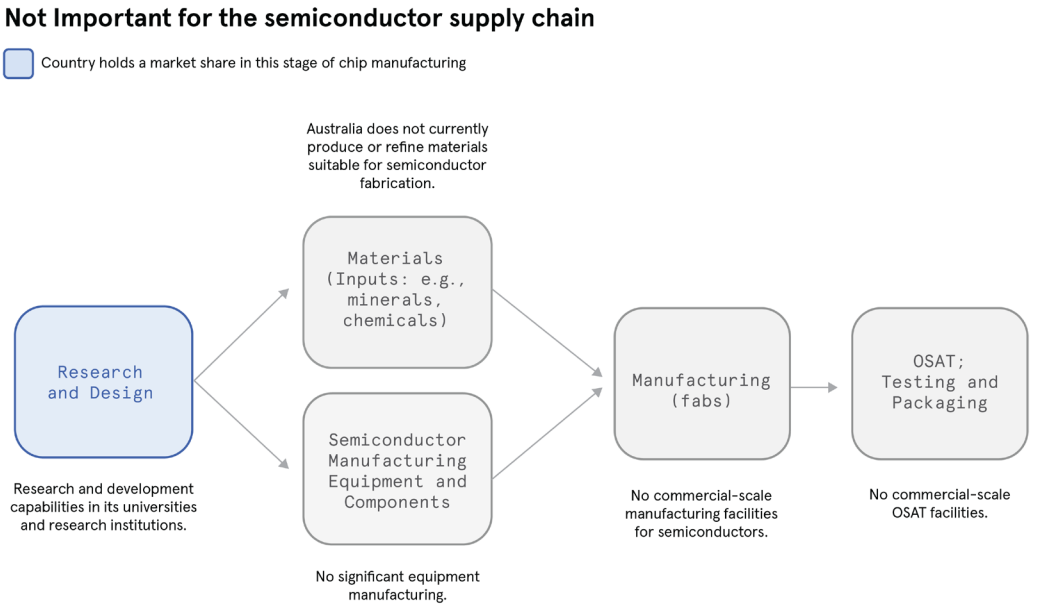
One manifestation of the tensions between China and Australia has been recent naval exercises by the Chinese navy in the vicinity of Australia.[87] The U.S. military operates closely with Australian counterparts and in theory could become entangled in a military crisis between Australia and China. Right now, however, this possibility is remote. The recent standoff between Australia and China has the character of mutual posturing by regional powers rather than the raw aggression that has characterized China's military and grey zone operations in the South China Sea—both Australia and China have been careful to keep the potential for accidental escalation low. On balance, therefore, America's alliance with Australia poses the least risk of entanglement of any U.S. ally in the Indo-Pacific.

Australia's Ability to Reinforce Semiconductor Manufacturing Supply Chains

Australia is not an important ally for the United States in "friendshoring" semiconductor manufacturing supply chains because it lacks commercial-scale manufacturing facilities for semiconductors, relevant manufacturing equipment and OSAT capabilities.[88] Australia also does not domestically produce and refine input materials necessary for semiconductors. Australia does possess research and development capabilities in semiconductor technologies in its universities and research institutions.[89] National- and state-level initiatives are seeking to develop Australia semiconductor R&D capacity through industry and university

FIGURE 10

Australia Semiconductor Supply Chain Capabilities



partnerships. While U.S.-Australia collaboration under AUKUS Pillar 2 does not explicitly cover semiconductor supply chains, its goals for cooperation in advanced technologies including AI, quantum, and electronic warfare rely on securing semiconductor supply chains.[90] Overall, Australia has little to offer the United States that would help it shift the production of legacy or leading-edge chips away from China.

Australia's Ability to Increase Critical Minerals Supply Chain Resiliency

On the other hand, Australia is very important for U.S. critical mineral interests. Australia possesses large scale deposits across many of the critical minerals and rare earths essential for U.S. strategic applications. It is the world's largest miner of lithium and rutile titanium and the fourth-largest miner of rare earth elements for magnets and a leading rutile producer.[91] Australia possesses among the world's largest reserves of lithium, cobalt, manganese, nickel, tantalum, tungsten bauxite (for gallium), and zinc (for germanium).[92] Australia is attempting to build refining and processing facilities for lithium, graphite, cobalt, rare earths, and high-purity silicon.[93] In May 2025, Australia's Lynas Rare Earths became the first facility to separate the materials and produce rare earth metal oxide outside of China, with its Malaysian refinery successfully refining dysprosium and terbium, two key rare earths in high-performance magnets.[94] The company has signed a contract with the U.S. Department

of Defense to build a processing facility in Texas, but it is uncertain if it will be built.[95] The potential for Australian gallium production for advanced semiconductors as a byproduct of bauxite processing could be especially important for U.S. interests, since China has a near monopoly on global supply.[96]

Australia possesses large scale deposits across many of the critical minerals and rare earths essential for U.S. strategic applications.

Australia has demonstrated ongoing political interest in assisting U.S. efforts to pivot critical mineral supply chains away from China. However, Australia currently sends a large share of its minerals and rare earth elements to China for refining, creating a key chokepoint in the critical minerals supply chain.[97] To remedy this, it is investing in its processing and refining capabilities, as part of the Critical Minerals Strategy 2023–2030.[98] Canberra has undertaken domestic efforts to redirect its supply chains, including over four-billion-dollar in tax incentives to produce critical minerals through 2034, aimed at reducing reliance on Chinese sources. As part of the Quad and the Minerals Security Partnership, it participates in several U.S.-led international efforts internationally to diversify the processing and refining of critical minerals away from China.[99] Australian Strategic Minerals also received a letter of interest for $600 million of funding from the U.S. Export-Import Bank (EXIM) to develop rare earths and critical minerals mining.[100]

Australia's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

Australia has a small semiconductor industry, but investments in quantum computing, space, and resource technology and biotechnology make it a somewhat important ally to the United States when it comes to preventing the unintentional dissemination of sensitive technologies

The Lynas Rare Earths Ltd. Processing plant in Kalgoorlie, Western Australia on August 3, 2022. Lynas is the world's only commercial producer of separated heavy rare earths products outside China.

Source: Carla Gottgens/Bloomberg via Getty Images

to China. It ranks ninth globally in quantum research output and it is a global leader in superconducting circuit-based quantum processors, with the company Diraq producing the highest-fidelity ones to date.[101] Australia also has a robust biotechnology innovation and research sector, with expertise in synthetic biology, vaccine development and clinical trials, but lacks the capacity to produce biotechnology products at scale.[102]

Australia is very likely to continue working with the United States in this regard. It shuttered its technological research programs on several fronts with China in 2019.[103] Having banned Chinese technology companies Huawei and ZTE from its 5G networks, this year it banned the use of the Chinese AI DeepSeek app from federal-government devices.[104] Australia is collaborating with the United States and United Kingdom under AUKUS Pillar 2 to coordinate the development and deployment of "advanced capabilities" with active working groups on: quantum technologies, artificial intelligence and autonomy, advanced cyber, undersea capabilities, and innovation.[105] For example, the "Quantum Technologies" working group has established the AUKUS Quantum Arrangement (AQuA), an initiative to coordinate American, British, and Australian RDT&E efforts concerning quantum technologies such as alternatives for positioning and navigation systems.[106] Australia and the United States have also taken steps to deepen their tech cooperation through public-private partnerships, such as the $3 billion investment by Australia in Microsoft in 2023.[107]

Australia's Ability to Restrict FDI in China's Technology Sector

Australia is not an important ally for the United States when it comes to restricting FDI in China's technology sector, largely due to the fact that its FDI in China is limited: Australian firms invested $450 million in China, while total FDI in the country was $163 billion.[108] This investment is facilitated by the 2015 China-Australia Free Trade Agreement (ChAFTA) where Australian businesses have benefitted from lower tariffs.[109] By contrast, that same year, China's FDI stock in Australia was $57 billion and Hong Kong's was $95 billion, making them respectively the tenth- and fifth-largest investors in the country.[110] Chinese FDI in Australia is concentrated in mining and has expanded to healthcare and infrastructure in recent years, including a Chinese company controversially obtaining a ninety-nine-year lease on the strategic Port Darwin in northern Australia in 2015.[111] Although China has reduced its FDI in Australia over the last few years, the size of its existing investments present a strategic vulnerability.

Australia is somewhat likely to support restricting its FDI in China's technology sector, as well as technology transfers and military funding, exports and related services to China. The 2024 Defence Trade Controls Amendment Act and the Defence Trade Legislation Amendment Regulations intends for Australia to develop a "robust export control regime." The Act introduced three new offenses concerning violations related to the supply, resupply,

FIGURE 11

Joint Facilities and Key Australian Bases

or servicing of goods on the Defence and Strategic Goods List to countries requiring permits, and established two implementation working groups for industry and higher education research.[112] Australia does not, however, have a developed national security screening regime for outbound foreign direct investments and Australian firms are unlikely to stop investing in China altogether.

Australia's Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

Australia is a very important ally for the United States when it comes to providing basing, logistics, intelligence, and strike capabilities for the U.S. military in the case of a Taiwan contingency. Australia does not allow permanent foreign military bases on its territory, but

the United States has had a sustained rotational Marine Corps presence in the north of the country since 2012 and expanded access to key Australian air bases since 2017.[113] Tindal Air Base in northern Australia, for example, was upgraded to accommodate deployments of U.S. B-52 strategic bombers, and U.S. B-2 Spirit stealth bombers were deployed to the air force base at Amberley in eastern Australia in 2022 and 2024.[114] Under the U.S.-Australia Force Posture Agreement of 2012, both countries have invested in critical military infrastructure—such as maintenance and fuel facilities—positioning bases in northern Australia as "unsinkable aircraft carriers" to project U.S. power in the Pacific.[115]

Furthermore, under AUKUS Pillar 1, U.S. and UK nuclear attack submarines will be rotationally deployed from Perth in southwest Australia from 2027, supported by an expansion in local maintenance and shipbuilding capacity, while a new yard is under construction in Adelaide, South Australia, which will build nuclear-powered submarines.[116] Through AUKUS, Australia is scheduled to receive three American Virginia-class nuclear attack submarines in the early 2030s, although there are significant doubts that the United States can raise submarine production output enough to meet this.[117]

Australia is the only Indo-Pacific ally that provides high-value intelligence to the United States.

Australia has precision strike capabilities including over seventy F-35A multirole stealth fighters and the U.S. HIMARS system.[118] The Albanese government has committed over one billion dollars to purchase additional stocks of advanced medium-range missiles and is developing loitering munitions to strengthen air defense and aerial strike capabilities.[119] At sea, Australia has purchased and tested U.S. LRASM anti-ship missiles and has Tomahawk land attack cruise missile–equipped surface vessels.[120] Australia's current Collins-class submarines are armed with anti-ship missiles and torpedoes.[121]

When it comes to intelligence, Australia is the only Indo-Pacific ally that provides high-value intelligence to the United States. It is a member of Five-Eyes and operates a joint satellite communications and signals intelligence surveillance base at Pine Gap since 1988. The Jindalee Operational Radar Network (JORN), which has over-the-horizon cover up to 3,000 kilometers, also provides valuable monitoring capabilities for U.S. operations in the region.[122]

Australia has increased bilateral and multilateral exercises with the United States.[123] The Talisman Sabre, Pitch Black, and Predator Run multilateral training exercises have coordinated large deployments in the Pacific between the two countries and key allies and partners. Australia's navy also conducts maneuvering exercises in the South China Sea with the navies of the United States and the United Kingdom.[124] An Australian two-star general is embedded in the command structure of the U.S. Indo-Pacific Command,[125] and in 2023 an Australian was appointed as the first foreigner in a deputy commander position in the U.S. Pacific Air Forces in 2023,[126] underscoring the two militaries' deepening integration.[127]

Australia has not committed to supporting Taiwan in a conflict.[128] This reflects that fact that public opinion in Australia is divided over involvement in a war over Taiwan. In a 2023 poll, 42 percent of respondents said they supported Australia getting militarily involved if China invaded Taiwan (down from 51 percent in 2022) while 56 percent said they were opposed.[129] The share of those saying they were "very concerned" about China opening a military base in the Pacific also dropped from 60 percent to 42 percent.[130] In response to Chinese exercises around the island, Canberra often states that it opposes "any unilateral change to the status quo across the Taiwan Strait," and it has encouraged "peace and stability" across the strait in joint statements with the United States.[131] Canberra, like Washington, thus maintains a policy of strategic ambiguity in this regard. Various degrees of support are possible to imagine—for example, Australia could offer the United States support with logistics, command-and-control, intelligence, surveillance, and reconnaissance—but not deploy its own forces into combat.[132]

Australia's Ability to Co-Develop Military Technology and Weapons Systems with the United States

Australia is a somewhat important ally for the United States when it comes to co-developing military technology and adds value—but the United States would not be significantly disadvantaged if that cooperation were to end. There is collaboration across a wide range of advanced weapons systems including commitments to co-develop, co-produce, and co-sustain the PrSM, a next-generation long-range precision-guided missile for the HIMARS rocket system; co-producing and co-assembling GMLRS rockets in Australia by 2025; and co-producing M795 155 mm high explosive howitzer ammunition.[133] Both countries' governments and companies collaborate on the Guided Weapons and Explosive Ordnance Enterprise under which Australia has invested over $2 billion to acquire more long-range strike systems and manufacture longer-range munitions domestically.[134] Australia also develops advanced aerial combat systems with the U.S. including the Integrator drone and the MQ-28 Ghost Bat autonomous "wingman" combat drone while Australian companies continue to participate in the production of parts for the F-35.[135] Australia has also pledged to invest $3 billion in the U.S. submarine industry to support the timely delivery of the Virgina-class vessels it is due to receive.[136]

Australia can sustain its collaboration with the United States via its robust research ecosystem—which includes specialized technology fields such as quantum computing, hypersonics, and advanced materials—but this requires additional funding to maintain its waning competitive edge.[137] Australia and the United States collaborate on hypersonic technology under the Hypersonic International Flight Research Experimentation program that was established in 2007.[138] AUKUS includes a funding pool of $252 million for a Hypersonic Flight Test and Experimentation Project Arrangement, which will allow its members to use each other's testing facilities and to share technical information to develop, test, and evaluate hypersonic

systems.[139] To facilitate the co-development of advanced military technologies, Australia was granted a partial exemption from the U.S. International Traffic in Arms Regulations (ITAR), such that over 70 percent of defense-related goods covered by ITAR no longer require State Department export licenses.[140]

Australia is very likely to continue co-developing military technology with the United States, particularly considering the long-term goals of AUKUS and the immense capital benefits Australia derives from this cooperation—although the small size of its defense industry and bureaucratic barriers are real limitations. As a part of its efforts to reconstruct its defence spending infrastructure, Canberra released its 2024 Integrated Investment Program (IIP) that allocated an additional $5.7 billion and $50.3 billion above the previous spending trajectory through 2033–34.[141] The 2024 IIP also reprioritizes funding and directs a plurality of it to maritime readiness and long-range strike capabilities.[142] Canberra launched the Advanced Strategic Capabilities Accelerator in 2023 to overcome these hurdles and to facilitate defense cooperation within AUKUS, committing up to $2.47 billion over the next decade to streamline funding.[143] Projects include the Ghost Shark stealth and autonomous long-range submarine.[144]

Australia's Ability to Support the United States to Shape the Future of Global Governance

Australia is a key ally for the United States in its efforts to deepen multilateral ties in the Indo-Pacific, including as a founding member of the Asia-Pacific Economic Cooperation (APEC), the Quad, and the Minerals Security Partnership. It does not, however, play a key role in global international institutions.

By total subscriptions and voting power, Australia ranked fifth among countries participating in the Asian Development Bank in 2024, and sixth among those in the China-led Asian Infrastructure Investment for 2025.[145] Australia became first Dialogue Partner of the Association of Southeast Asian Nations (ASEAN) in 1974, established a "comprehensive strategic partnership" with it in 2021, hosted a fiftieth anniversary Australia-ASEAN special summit in 2024, and works closely with its members through the ASEAN-Australia Centre.[146] Australia's APEC Support Program gives technical support for economic development projects in regional neighbors including Papua New Guinea and Indonesia.[147] Australia also plays a leading role in the Pacific Islands Forum (PIF), contributing approximately 36 percent of the budget for the PIF Secretariat in 2023.[148] In 2022, Australia also joined the United States in launching the Indo-Pacific Economic Framework for Prosperity (IPEF), which aims to align the United States and its allies and partners in the region on supply chain resilience, clean development, and fair-trade practices.[149]

Australia voted with Washington in 73 percent of UN General Assembly votes in 2023, making it the ninth most-aligned country.[150] Among Asia-Pacific countries, Australia was joint-first (100 percent) on Ukraine-related votes and second (73 percent) in votes classified as important by the State Department.[151] However, Australia will not move in lockstep with the United States at the UN on contested issues such as the Israel-Gaza war.

Estimation of Australia's Influence in the Global South

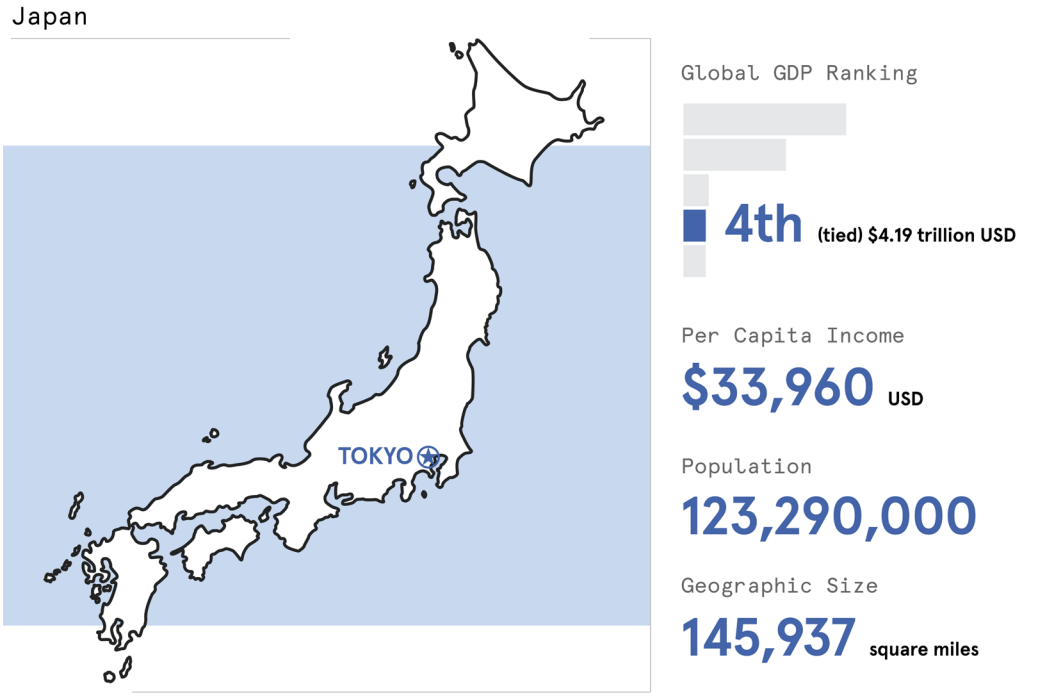
We estimate that Australia has some degree of relevant influence in third countries of the Global South, especially in the Pacific. It is the world's fourteenth-largest provider of ODA, with a budget of $3.4 billion for this fiscal year.[152] Australia has been especially active in its neighborhood, for example, by engaging with Pacific Island nations through $630 million in economic assistance over five years and police-training initiatives.[153] It has focused on countering China's expanding influence and security presence in the Pacific, as evidenced by its $118 million four-year funding package to train new Royal Solomon Police Force recruits that would "reduce any need for outside support" after the Solomon Islands signed a bilateral pact with China.[154] It allocates the bulk of its bilateral development assistance to countries in its neighborhood. In 2023, it devoted $1.2 billion to countries in Oceania and $962.3 million to countries in Asia, making it a significant alternative to China for assistance there.[155] It does not have a dedicated development finance institution, but the Australian Infrastructure Financing Facility for the Pacific (AIFFP) provides infrastructure financing through loans and grants to contribute to a "stable, secure, and prosperous Pacific."[156]

What the Future Holds

Aside from re-engagement with China diplomatically, the shift to a policy of stabilization under the Albanese government has not meant significant policy changes, and Australia remains largely aligned with the United States on China and foreign policy in general.[157] The Labor Party's win in May 2025 elections and Trump's apparent good relations with Albanese signal strategic continuity. That said, Trump's imposition of tariffs has not gone down well in Canberra, and Australians' trust in the United States has fallen to its lowest point in two decades after Trump's return to the White House. Thirty-two percent of respondents in one poll this year said they did not trust the United States to act responsibly in the world, compared to 16 percent in 2024.[158] This could slow the cooperative momentum that has built up around China in recent years, limiting the scope for deepening cooperation across key strategic areas—especially if AUKUS were to run aground of political or other obstacles. Ultimately, Australia may share U.S. concerns about China, but it is looking at the problem from a different vantage point. Like the United States, it faces a challenge from China but also a risk of entanglement if it draws too close to other U.S. regional allies in this report.

Japan

Japan is the United States' most important Indo-Pacific ally, a core player in the semiconductors sector, a technological giant, the world's fourth-largest economy whose military capabilities are expanding, host to critical U.S. bases in the region, and a key partner to the Global South. U.S.-Japan economic relations are very robust—with bilateral trade worth $227.9 billion in 2024—and they are each the largest investor in the other's economy.[159] Japan has increased its defense spending in response to China's military aggression and political assertiveness, but the United States remains its main source of security. While public opinion is mixed on support to U.S. operations in the event of a crisis or war over Taiwan, Japan is likely to continue supporting U.S. diplomatic and military efforts to promote a "free and open Indo-Pacific" in response to a more assertive China.



Source: International Monetary Fund. "World Economic Outlook (April 2025) - GDP, Current Prices." Accessed May 7, 2025. https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; International Monetary Fund. "World Economic Outlook (April 2025) - GDP per Capita, Current Prices." Accessed May 7, 2025. https://www.imf.org/external/datamapper/NGDPDPC@WEO; International Monetary Fund. "IMF DataMapper - Japan." Accessed May 7, 2025. https://www.imf.org/external/datamapper/profile; Ministry of Foreign Affairs of Japan. "Information about the Japanese Territory." Accessed February 5, 2025. https://www.mofa.go.jp/territory/page1we_000006.html.

TABLE 2

Japan Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Very important	Very likely
Increase Critical Minerals Supply Chain Resiliency	Very important	Very likely
Prevent Unwanted Dissemination of Advanced Technology to China	Very important	Somewhat likely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Very important	Somewhat likely
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Very important	Somewhat likely
Co-Develop Military Technology and Weapons Systems with the United States	Somewhat important	Very likely
Support the United States to Shape the Future of Global Governance	Very important	Somewhat likely
Combat China's Influence in the Global South	Very important	Very likely

Recent Trends in Japan's Relations with the United States

Over the past decade, the alliance between the United States and Japan has strengthened through regular high-level diplomacy, deepening economic integration, and increasing security ties across successive U.S. and Japanese administrations. Much of the change has come as Japan has recognized the challlenge posed by China and steered away from decades of restraint on defense and toward a more active regional military role. Its strategy over the last decade has combined an effort to build a strong regional network of partners with a more assertive security and defense policy in the service of a "free and open Indo-Pacific."[160]

Whereas the United States once provided almost entirely for its security, Japan has recently embarked on a major transformation of its security policy that involves increasing defense spending to 2 percent of GDP, investing in key capabilities such as in cyber, and developing a long-range counterstrike capability that will allow it to strike targets in China and North Korea. Japan still needs the United States as a security guarantor, but its ability to defend itself and provide valuable capabilities for regional deterrence is increasing meaningfully.

Japan is the United States' fifth-largest trading partner by export value and has the seventh-largest trade deficit with the United States ($68.5 billion in 2024).[161] It is also the largest source of foreign direct investment (FDI) in the United States by beneficial ownership, at over $783.3 billion in 2023. Japanese investments are primarily in the manufacturing sector, accounting for over $375.5 billion (16.8 percent) of FDI in U.S. manufacturing in 2023.[162]

A survey conducted after Trump's imposition of tariffs in April 2025 found that 77 percent of Japanese respondents did not believe the United States would come to Japan's defense in a crisis.

Japan has been subject to U.S. tariffs, however, which may explain a recent souring in Japanese perceptions of the United States. A survey conducted after Trump's imposition of tariffs in April 2025 found that 77 percent of Japanese respondents did not believe the United States would come to Japan's defense in a crisis—a notable increase from previous surveys, where fewer than 60 percent expressed such doubts.[163] U.S. tariffs, and changing leadership in Japan following Prime Minister Shigeru Ishiba's September 7 resignation, introduce new uncertainties in the relationship.[164]

Recent Trends in Japan's Relations with China

The Sino-Japanese relationship is defined by Japan's careful balance between its increasingly assertive posture and its pragmatic high-level diplomacy. Since 2004, China has alternated between being Japan's largest and second-largest export market, highlighting a significant dependency on the Chinese market.[165] The 2022 Japanese National Security Strategy took the important step of labelling China as the "greatest strategic challenge" to its security and calling for a decisive shift in Tokyo's defense posture in the region, a buildup in its long-range strike capabilities, and an effort to strengthen the alliance with the United States.[166] Tokyo has also maintained a high-level dialogue with Beijing through bilateral exchanges on the sidelines of international forums, however.[167] Ishiba and his predecessor, Fumio Kishida, framed Japan's China policy as aiming for a "constructive and stable" relationship. This underscores its dual-track approach: deterring aggression as the region's key counterweight to Chinese power while preserving diplomatic and economic engagement.

Risk of U.S. Entanglement Due to the Alliance with Japan

The risk that the United States would be entangled in a war on account of its alliance with Japan is low. The main risk comes from the Senkaku/Diaoyu Islands dispute. These are a cluster of uninhabited islands in the East China Sea between Okinawa and Taiwan, the largest of which is about the size of Manhattan's Central Park. The islands are claimed by Japan, Taiwan, and China, but have been under Japanese administration since the United States handed them over in 1972. Clashes between Japanese and Chinese coast guard and fishing vessels since 2010 have increased along with China's growing regional assertiveness and developing naval forces. There is also growing tension between Chinese and Japanese air and naval forces in the area and China has claimed an air defense identification zone (ADIZ) that includes the airspace above the islands. Japan has meanwhile upgraded its military capabilities on neighboring islands.

Historically, the United States has carefully avoided taking a position on the dispute over whether or not the islands belong to Japan, but Washington has also made clear that it considers the islands to be under Japanese administrative control and therefore covered under the U.S.-Japan Security Treaty. This raises the possibility that America could be drawn into a conflict with China over these otherwise unimportant islets. As in the case of the South China Sea disputes, Washington might seek to meet its treaty responsibilities with economic sanctions or other nonmilitary means, but if Japanese forces were seriously harmed by China, it could become difficult to avoid some form of military action—especially given that the United States has trained jointly with Japan for such a scenario.[168] Unlike the Philippines, however, Japan is a major regional power, with considerable and growing military forces and enormous political weight. This lowers the risk that the United States would actually be

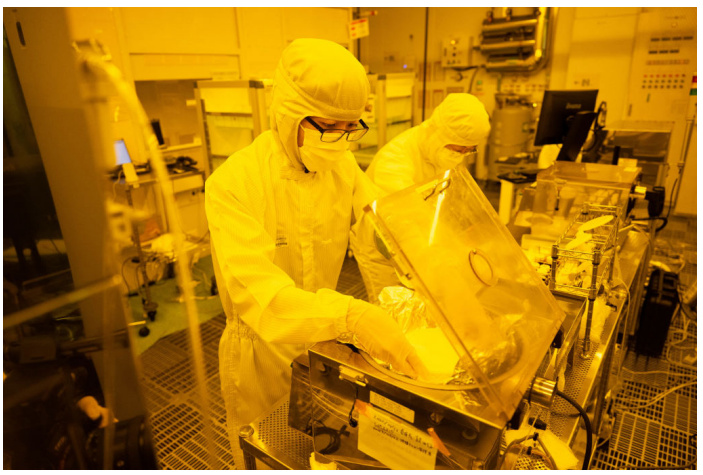
called upon to make good on its treaty obligations as a consequence of the dispute—both because Japan has more resources of its own and because China must move more cautiously in this case.

Broader possibilities that the United States could be dragged into a war with China by Japan are very remote.[169] In theory, China might conduct a bolt out of the blue attack on Japan, firing its considerable missiles against Japanese military and civilian sites. But this seems extremely unlikely outside the context of a war that has already begun between China and the United States. Indeed, the most likely route to China-Japan conflict is a U.S.-China conflict over Taiwan, in which case China might seek to strike U.S. bases in Japan. In this scenario, Japan would be entrapped into a war by its relations with America, not the other way around.

Japan's Ability to Reinforce Semiconductor Manufacturing Supply Chains

As one of the world's largest and most technologically advanced economies, Japan is a very important ally for the United States when it comes to diversifying semiconductor manufacturing supply chains.[170] In 2022, Japan passed the Economic Security Promotion Act, a landmark law aimed at safeguarding critical infrastructure, securing supply chains, and promoting technological innovation in sensitive sectors such as semiconductors.[171] This led to establishing the Leading-edge Semiconductor Technology Center that same year to strengthen domestic research on advanced chips.[172]

Japan is an important ally for the input materials and tools for advanced semiconductors as it dominates the coater and developer market and is a substantial producer of photoresists and other chemicals used in the extreme ultraviolet (EUV) lithography process. Tokyo Electron



Tokyo University PhD student conducting semiconductor research at Tokyo University. Japan is known for its robust semiconductor research and development.

Source: Photo by YUICHI YAMAZAKI/AFP via Getty Images

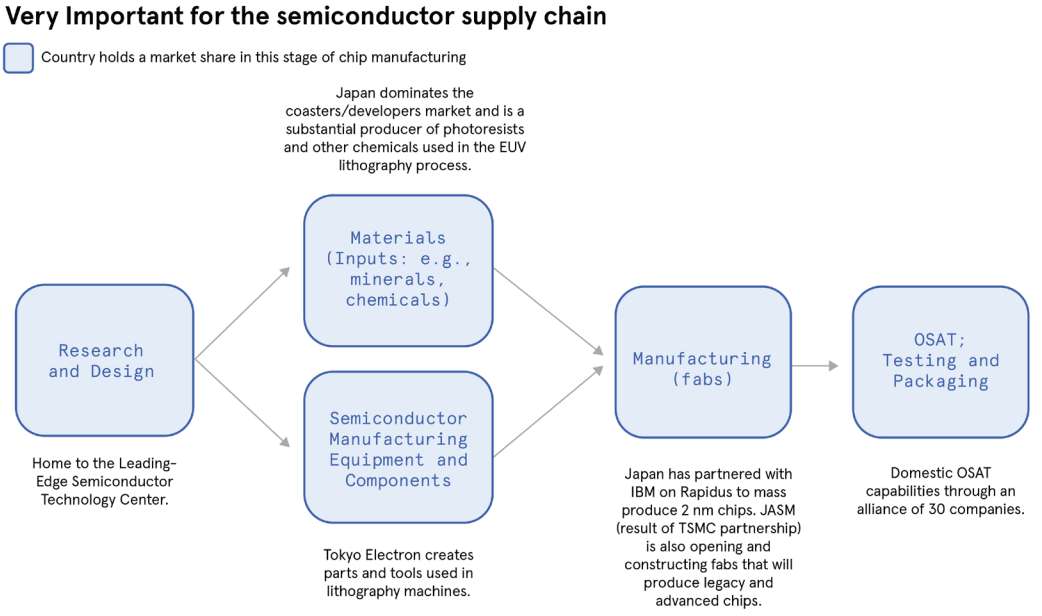
is the world's third-largest supplier of semiconductor manufacturing tools, controlling a significant part of the market for photoresist coating application tools, which are an indispensable constituent of the photolithography process.[173] Japanese companies make up 10 percent of the global semiconductors market but produce 88 percent of coaters/developers, 57 percent of wafer-cleaning systems, 53 percent of silicon wafers, and potentially up to 90 percent of photoresists—all key parts of the semiconductors production process.[174] Japan also produces over 90 percent of EUV photoresists—a key material to manufacture chips more advanced than 7 nanometers (nm)—and it accounts for 75 percent of krypton fluoride/argon fluoride (deep ultraviolet) photoresists production—crucial components for manufacturing 130nm–22nm chips.[175] To further boost its manufacturing capacity, Japan has partnered with the United States in the Rapidus venture aimed at producing next-generation 2 nm chips.[176] TSMC, Taiwan's preeminent semiconductors manufacturing company, also opened the Japan Advanced Semiconductor Manufacturing, Inc. foundry in 2024 that will diversify legacy and advanced chip production away from Taiwan.[177] Japan also possesses domestic OSAT capabilities through an alliance of thirty companies that is seeking to reduce production costs, but still at smaller scale than Taiwan or American facilities.[178]

Japan's Ability to Increase Critical Minerals Supply Chains Resiliency

Japan is very important for U.S. critical mineral interests. Its secondary (recycled) platinum and palladium refining capacity accounted for around 10 percent of global demand in 2023.[179] Japan is the second-largest producer of titanium sponge, which can be used to produce

FIGURE 12

Japan Semiconductor Supply Chain Capabilities



metal for aerospace structures and munitions.[180] Japan refines antimony, is among the few economically advanced countries refining high-purity gallium, and operates one of the only lithium hydroxide facilities outside of China.[181] Through producers like Shin-Etsu, Japan is also a producer of advanced rare earth magnets with a largely non-Chinese supply chain.[182] Japan also produces refined nickel product and some recycled tungsten.[183]

Large quantities of cobalt, nickel, and yttrium deposits have been located in Japan's EEZ at depths of over 5,000 meters near Minamitorishima Island (Japan's most eastern territory).[184] Despite plans to begin extraction from 2026, this is unlikely to be important in the medium-term due to the fact that deep sea mining at those depths will be difficult and expensive.[185] Japan has a unique ability to secure its critical minerals supply chains by financing overseas extraction projects through the Japan Oil, Gas and Metals National Corporation (JOGMEC) and Japan Bank for International Cooperation (JBIC), the former of which partnered with the U.S. International Development Finance Corporation to coordinate global diversification of critical mineral supply chains.[186] Japanese trading houses such as Mitsubishi have the experience, knowledge, and capital to support diversification and friendshoring, including through overseas investments.[187]

Given the volatility of Sino-Japanese relations, Japan has strong incentives to diversify and secure its semiconductors and critical-minerals supply chains by collaborating with the United States.

Given the volatility of Sino-Japanese relations, Japan has strong incentives to diversify and secure its semiconductors and critical-minerals supply chains by collaborating with the United States. Japan has joined the U.S.-led Minerals Security Partnership in 2022 and has signed the U.S.-Japan Critical Minerals Agreement to support the Biden administration's clean energy friendshoring efforts in 2023.[188] It also works with the United States in several forums to strengthen semiconductor supply chains, including the U.S.-Japan Critical Minerals Agreement and the trilateral Economic Security Dialogue with South Korea.[189]

Japan's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

Japan is a very important U.S. partner when it comes to preventing the unintentional dissemination of sensitive technologies to China. Beyond previously described capabilities in semiconductor manufacturing tools and materials for advanced chip production, it also retains a competitive advantage in NAND memory, power semiconductors, microcontrollers, and CMOS image sensors.[190] In March 2025, the Japanese legislature enacted the AI Promotion Act, which created a guiding set of AI principles while encouraging coordination and innovation between industry and government.[191] Japan has a high-end quantum

research industry and ranks fifth globally in quantum research output—and among U.S. allies it ranks third in quantum computing, communications, and sensing research output.[192] In 2025, Japanese IT company Fujitsu developed the world's largest-class superconducting quantum computer with 256 qubits and the Japanese government announced a $7.4 billion commitment to quantum technologies. It led Western nations in public investments from 2023 to 2025.[193] Japan also has a strong biotechnology sector, with research expertise in pharmaceuticals and biological sciences.[194] While Japan's quantum and biotechnology industries are growing, they both lag those in the United States and China, making them less important in this regard.

Japan has responded positively to the United States' efforts to restrict exports of specific technologies to China over the last few years. A key development was Japan's deal with the Netherlands in 2023 to restrict exports of certain advanced semiconductors technology and equipment to China.[195] Following pressure from the Biden administration, Japan expanded its export restrictions to twenty-three leading-edge chip-making technologies that same year.[196]

That said, Japan is still more permissive than the United States. While Washington applies a strict presumption of denial, Tokyo exports to China whenever possible.[197] Japanese semiconductors equipment providers are still reliant on Chinese markets for the largest share of their revenue: Japanese exports of semiconductors equipment increased across fiscal year 2024, with the percentage of exports to China rising from 39 percent in Q1 to 47 percent in Q4—evidence of how important allied cooperation on export restrictions can be.[198] Yet, at the same time, Japan sees China's advances in chip-making as a threat to the efforts to revive its own industry, and this is likely to shape its export policy for the foreseeable future.[199]

Japan's Ability to Restrict FDI in China's Technology Sector

Japan is a very important ally for U.S. efforts to restrict FDI into China's technology sector, due to the fact that it was the fifth-largest source of FDI in China in 2024, investing over $2.66 billion (although it has fluctuated some in recent years).[200] Japanese companies are focusing their investments in China primarily in the technology, manufacturing, and automotive industries. For example, Toyota plans to establish a new wholly owned EV manufacturing plant in Shanghai in an effort to enhance its footprint in the world's largest automotivemarket.[201]

Despite these ties, slowing Chinese economic growth, persistent operational challenges, intellectual property theft, and growing geopolitical tensions have all driven Japanese firms to diversify production to other countries.[202] In a 2024 poll of Japanese firms, over half said they would either cut spending in China or keep it at current levels, a clear departure from the steady Japanese FDI increases in the years following the 2010 islands dispute.[203]

Japan has a very limited outbound FDI screening regime that requires prior notification for individuals or firms involved in weapons, narcotics, or leather goods.[204] Given the size of investments in China, limited domestic markets and smaller venture capital sector, Japan is likely to be reluctant to enact further outbound FDI restrictions.[205] FDI data and corporate sentiment point toward a recalibration of Japanese business strategy in Asia but not a full decoupling from China.

Japan's Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

Japan and the United States signed their Mutual Security Treaty in 1960, and Japan today hosts more U.S. military personnel than any other country in the world. These forces include the largest Air Force combat air wing, a carrier battle group, and several nuclear-powered submarines.[206] Around half of these forces are stationed on Okinawa, but there are several other U.S. bases in Japan, such as the headquarters of the U.S. Seventh Fleet in Yokosuka and of U.S. Forces Japan at Yokota Air Base.[207] Kadena Air Base in Okinawa is home to the 18th Air Wing.[208] Japan's strategic location and the extensive U.S. military presence there make it a very important base for responding to any Taiwan contingency.[209]

Japan's military forces are also developing rapidly. The 2022 National Defense Strategy marks a significant departure from the country's post-Second World War consensus on the constitutionally mandated restraint on defense issues and points the way toward a more robust deterrent capability. Japan has also committed itself to increasing defense spending to two percent of GDP—a level unprecedented in the postwar era.[210] It is also in the process of strengthening its advanced cyber capabilities and procuring a counterstrike weapons system that will allow it to strike targets in China and North Korea.[211] This signals a higher level of military readiness and will add an additional deterrent to Beijing's operations against Taiwan and elsewhere in the region. Japan already has advanced anti-submarine warfare, anti-ship warfare, and maritime reconnaissance capabilities.[212] Japan possesses indigenously produced anti-ship missiles, has ordered U.S. Tomahawk land attack missiles for counterstrike, and is developing hypersonic gliders for deployment on land by 2026.[213] With over 140 on order, its air force will operate the largest fleet of F-35 stealth multirole fighters outside the U.S. Air Force and has domestically produced F-2 fighters which can launch supersonic anti-ship and land attack missiles.[214] Japanese submarines are equipped with indigenously developed torpedoes and anti-ship missiles, and the navy is developing a long-range submarine-launched cruisemissile.[215]

The extent of Japan's contributions to U.S. operations, should China attack Taiwan, would likely depend on how the conflict starts.

While the U.S. bases in Japan could play a significant role in a Taiwan contingency, the extent of Japan's possible support for U.S. operations remains somewhat uncertain. Previously, Japan's role in a Taiwan contingency was rarely discussed, but now the strategic environment has markedly changed and this issue has emerged as a key focus of U.S.-Japan military planning.[216] There is growing recognition in Japan that any conflict over Taiwan would directly impact the country's security, which is reflected in the shift in public and policy discourse on Japan's involvement from virtually nonexistent to increasingly mainstream.

FIGURE 13

Deployment of United States' Forces in Japan

Public opinion is divided over Japan's role in a war over Taiwan, but a majority envisions providing some form of support to the United States (see Table 3). The extent of Japan's contributions to U.S. operations, should China attack Taiwan, would likely depend on how the conflict starts and whether the parliament can justify declaring a state of emergency.[217]

TABLE 3

Japanese Sentiment on Supporting the U.S. Military Over Taiwan, 2024

Japanese Self-Defense Forces' Involvement in Supporting the U.S. Military	Percentage of Japanese Civilians in Favor
Full JSDF involvement alongside U.S. military	12.6
Logistics support and ammunition without combat	29.6
Use of U.S. bases without JSDF involvement	26.6
No JSDF involvement or use of U.S. bases	28.5

Source: "17th Nationwide Public Opinion Survey on the Media," Japan Press Research Institute, October 13, 2024.

Japan's Ability to Co-Develop Military Technology and Weapons Systems with the United States

Japan's advanced industrial base makes it an increasingly valuable partner to the United States for co-developing certain military technologies, particularly as it relaxes its de facto ban on arms exports. For decades, cooperation was somewhat constrained by this obstacle, with co-development of the Standard Missile-3 Block IIA missile-defense interceptor and the F-2 Fighter the only exceptions.[218] Restrictions have been gradually relaxed since the de facto ban was lifted in 2014.[219] Since, the United States and Japan have started co-producing advanced air-to-air missiles and U.S. designed Patriot PAC-3 missiles, while Japanese companies produce some advanced engine components for the F-35 program.[220] Japan's naval forces are also closely integrated with the U.S. navy through common upgrades of the Aegis ballistic missiledefensesystem.[221]

The United States and Japan signed a Memorandum of Understanding for Research, Development, Test and Evaluation Projects in 2023 that could strengthen technology for hypersonics and counter-hypersonics, critical areas given China's rapid advances in this field.[222] In 2024, the State Department approved over $200 million in foreign military sales to support Japan's development of the Hyper Velocity Gliding Projectile program.[223] Both

countries are also exploring cooperation in outer space, including in deep-space observation, deep-space radar, and standalone space-domain-awareness satellites to monitor China's expanding anti-satellite arsenal.[224] Lifting the ban also opened the door for Japan to work with other U.S. allies, including by collaborating in the Global Combat Air Program with Italy and the United Kingdom and by bidding to export frigates to Australia.[225] Japan may also participate selectively in the AUKUS security partnership between Australia, the United Kingdom, and the United States on advanced technology initiatives.[226]

Japan's Ability to Support the United States to Shape the Future of Global Governance

Japan is a very important and increasingly influential ally in international forums and has taken a leading role in advancing a free and open Indo-Pacific—a concept it first articulated under then prime minister Shinzo Abe in 2016—to counter China's aspirations for regional hegemony.[227] It is also a founding member of APEC and signed a "Comprehensive Economic Partnership" with ASEAN in 2007 and collaborates with ASEAN through the Japan-ASEAN Ministerial Initiative for Enhanced Defense Cooperation (JASMINE) to expand efforts to "create a security environment that does not allow any unilateral attempts to change the status quo by force or coercion"– a statement easily interpreted as aimed at China. [228]

While the alliance with the United States remains the cornerstone of its security strategy, Tokyo is working to diversify and to deepen its security partnerships across the Indo-Pacific and beyond.[229] Within multilateral groupings such as the Quad, the Trilateral Strategic Dialogue, and the Security and Defense Cooperation Forum, as well as through other groupings with Australia, the Philippines, and South Korea, Japan plays a central role in shaping regional security norms.[230]

Japan also contributes to regional economic development as the leading contributor to the Asian Development Bank, holding the largest voting share on parity with the United States in 2024.[231] It has also brought anti-dumping cases against China in the World Trade Organization and pushed the G7 to counter Chinese economic coercion when it chaired the group in 2023.[232] Japan is also closely aligned with the United States in the United Nations: for example, it voted similarly in 90 percent of UN Security Council votes in 2023, when Japan held a nonpermanent seat.[233] Among the Indo-Pacific countries, Japan was the most aligned with the United States on Ukraine votes (100 percent) and fourth on "important" votes (70 percent). However, not holding a permanent seat in the Security Council limits Japan's influence in the UN.

Estimation of Japan's Influence in the Global South

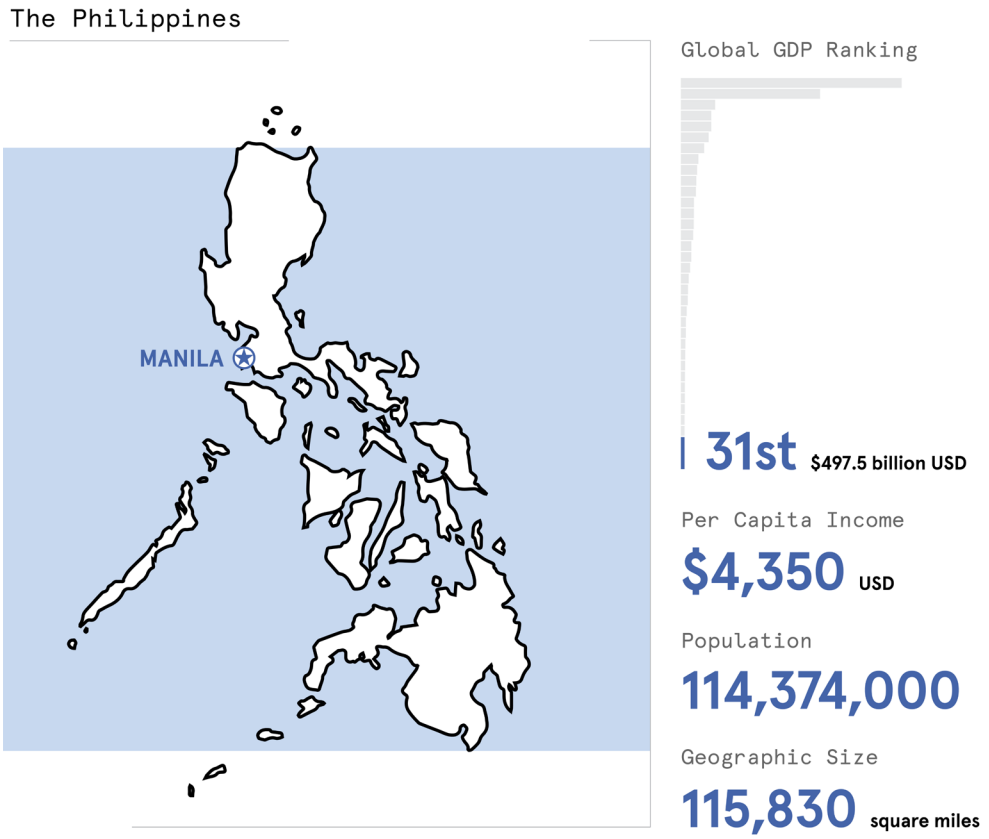
Japan's robust development finance institutions and its long history of overseas development lending make it a key partner for the United States when it comes to influence in the Global South and providing countries of the Global South with alternatives to financing from China in particular. Among the members of the Organization for Economic Co-operation and Development, Japan was the fourth-largest provider of official development assistance (ODA) in 2024.[234] In 2023, Japan allocated a massive $10.8 billion in bilateral assistance to Asian countries, $2.6 billion to African countries and $1.6 billion to the Middle East.[235] Japan puts enormous financial power toward development projects overseas to compete with China, leveraging its development finance institutions. The Japan Bank for International Cooperation (JBIC) finances projects and exports globally, and the Japan International Cooperation Agency (JICA) administers all Japanese ODA, through grants, loans, and technical cooperation. Japan demonstrated its significance in the development finance space when it launched its "Partnership for Quality Infrastructure" in 2015, two years after China launched the BRI. This initiative accelerated infrastructure assistance across Asia through JICA, in collaboration with the ADB.[236] Japan deploys its development assistance in South and Southeast Asia in ways that compete directly with China's.[237] In 2023, Japan amended its Development Cooperation Charter to allow ODA partnerships aimed at enhancing economic security cooperation.[238]

What the Future Holds

Abe proved to be pro-United States and hawkish on China, but the more pragmatic Ishiba sought to prioritize Japan's needs in its relationships with China and America instead of pursuing a balancing strategy against either. Ishiba's resignation in September 2025 amid inflation at home and coping with the Trump administration's tariffs presents challenges for stable relations.[239] Still, Tokyo's concerns about the threat posed by China may make even more dovish politicians favor deepening ties to Washington on the issue. For example, a joint statement in February 2025 took the allies' support for Taiwan a step further by saying Japan (and the United States) would support "Taiwan's meaningful participation in international organizations."[240] China recalled diplomats from Japan to protest this development, but Tokyo has not changed its position.[241] Japan's next prime minister will take up the difficult tasks of navigating ongoing trade and investment talks with Washington and fulfilling commitments to strengthen Japan's own defense capabilities. Despite frictions, the alliance is deeply rooted. Japan and the United States have the potential to continue mutually beneficial close collaboration across economic, technological, and security domains—unless their domestic politics get in the way.

The Philippines

The Philippines is a former colony and treaty ally of the United States that has tended to seek balance between its defense relations with Washington and economic relations with Beijing. It offers Washington access to military bases near Taiwan, bolstering the United States' capacity for deterrence in the Taiwan Strait and providing the possibility of land-based strikes on mainland China. At present, however, this alliance also presents the United States with the most significant entanglement risks of the allies in this report. The Philippines' historic focus on internal security, its (understandable) fear of retaliation by Beijing in the event of a Taiwan contingency, and its status as a developing nation limit its importance to U.S. economic, military, and technological goals beyond military access.



Sources: International Monetary Fund. "World Economic Outlook (April 2025)," Accessed May 7, 2025, https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; International Monetary Fund, January 2025 World Economic Outlook Update, The Philippines Country Page, https://www.imf.org/en/Countries/PHL; Central Intelligence Agency, World Fact Book, The Philippines, https://www.cia.gov/the-world-factbook/countries/philippines/factsheets/.

TABLE 4

The Philippines Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Somewhat important	Somewhat likely
Increase Critical Minerals Supply Chain Resiliency	Somewhat important	Somewhat likely
Prevent Unwanted Dissemination of Advanced Technology to China	Not important	N/A
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Not important	N/A
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Somewhat important	Somewhat Unlikely
Co-Develop Military Technology and Weapons Systems with the United States	Not important	N/A
Support the United States to Shape the Future of Global Governance	Not important	N/A
Combat China's Influence in the Global South	Not important	N/A

Recent Trends in the Philippines' Relations with the United States

The Philippines has had a Mutual Defense Treaty with the United States since 1951, and the two countries have long-standing people-to-people ties.[242] It has hedged between the United States and China in the recent past, but Chinese pressure in the South China Sea has led it to strengthen ties with Washington.[243] Under President Ferdinand "Bongbong" Marcos Jr., the Philippines expanded defense cooperation in 2023 by granting the United States access to four additional military bases, bringing the total to nine.[244] The two countries also issued bilateral defense policy guidelines in 2023 that reiterated that attacks on their nonmilitary vessels and aircraft, or on their armed forces in the South China Sea would trigger the Mutual Defense Treaty.[245] The renewed deepening of ties came after a testy period in relations under former president Rodrigo Duterte, who pursued warmer relations with China and distanced himself from the United States.[246]

The Trump administration seeks to strengthen military ties with the Philippines. The country was the first stop on Secretary of Defense Pete Hegseth's Indo-Pacific tour in March, suggesting that it remains a focus for U.S. defense relations in the region. In Manila, Hegseth met with counterparts to "reestablish deterrence" in the South China Sea, pledging anti-ship missile deployments, military training, and defense-industrial cooperation.[247] The Trump administration has also exempted $5.3 billion in security assistance from its foreign assistance cuts.[248] However, the Philippines was not spared from the administration's policy of raising tariffs, and the end of USAID funding will deprive the country of hundreds of millions in assistance spanning health, education, disaster recovery support, and the economy[249]

Recent Trends in the Philippines' Relations with China

The Philippines' conflict over the South China Sea seriously complicates Manila's relations with Beijing. For decades, China has been trying to assert military control of the South China Sea, citing what it calls the "nine dash" line, a decades-old Chinese demarcation that would make most of the South China Sea Chinese territorial waters. These assertions put China in conflict with several Southeast Asian nations, but the conflict with the Philippines has been the sharpest.

At issue is Philippine access to various small islands and fishing areas such as the Second Thomas Shoal and the Scarborough Shoal, which are within the Philippines economic exclusion zone. China claims these islands for itself and seeks to prevent Philippine military and civilians from entering them.[250] In 2016 China had its claim to sovereignty over these areas rejected by a UN ruling under the UN Convention on the Law of the Sea (UNCLOS), but Beijing has ignored the ruling and continued to assert control over these waters with ever greater force, including by buzzing Philippine aircraft, bumping and ramming Philippine ships, targeting them with lasers and spraying them with water cannons.

Recent Chinese maritime provocations have prompted official and public outrage in the Philippines, with Defense Secretary Gilberto Teodoro condemning "Chinese expansionism" and describing this as the country's "greatest external threat" in March.[251] China's aggressiveness may have also contributed to Marcos's decision to take careful steps toward closer relations with Taiwan. As of April, government officials other than the president, vice president, foreign affairs secretary, and defense secretary can visit Taiwan for economic, trade, or investment-related activities, provided they travel on regular passports and do not use their official titles.[252]

Despite Manila's recent tilt in Washington's direction, history and economics indicate that Washington should not assume that the Philippines will continue to seek a deeper bilateral relationship.

Despite Manila's recent tilt in Washington's direction, history and economics indicate that Washington should not assume that the Philippines will continue to seek a deeper bilateral relationship. South China Sea tensions belie the fact that China remains a crucial economic partner for the Philippines—it is their largest source of imports by value, with electronics, machinery, iron, and steel as leading categories.[253] As recently as 2023, even after profound security challenges, Manila signed fourteen bilateral trade and economic agreements with Beijing.[254] More than other countries in this report, Philippine politics have vacillated between pro-China and pro-Washington positions. Marcos's predecessor, Duterte, who led the country from 2016 to 2022, pursued a foreign policy that was more clearly aimed at placating China by tilting away from Washington.

A Chinese Coast Guard ship fires a water cannon at a Philippine Navy chartered vessel conducting a routine resupply mission to troops stationed at Second Thomas Shoal in the South China Sea, on March 5, 2025.

Source: Photo by Ezra Acayan/Getty Images

Risk of U.S. Entanglement Due to the Alliance with the Philippines

A direct intervention in the South China Sea by U.S. naval or other military forces would sharply increase the risk of an incident with China that could escalate into a full-fledged war.[255] Washington might thus attempt to avoid this by limiting its response to economic or political sanctions on China. If such measures failed to have any effect, however, U.S. leaders would face pressure to deploy military forces on the grounds that inaction would signal a lack of U.S. resolve in other areas, potentially exposing Taiwan to attacks.

Managing this dilemma would not be easy, and there is a clear risk that the United States could be dragged deeper into the conflict with China. Although the United States has some interest in the South China Sea insofar as it supports the rulings of international courts (although the United States itself is not a party to the UNCLOS), these territorial disputes between China and the Philippines do not engage important U.S. interests otherwise. Some analysts point to economic rationales for supporting the claims of the Philippines—specifically the principle of freedom of navigation, which could be threatened were China to succeed in establishing hegemony over the South China Sea.[256] On a practical level, however, much (although not all) of the U.S. trade via the South China Sea is in fact going to China. The U.S. may have a broad interest in freedom of navigation, but to damage relations with China over the right to trade with China would be contradictory.

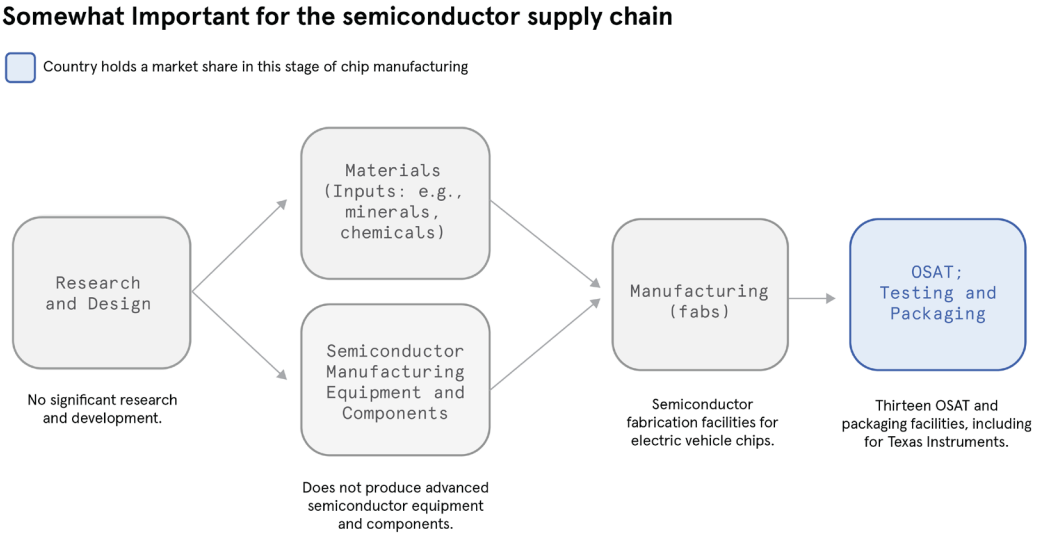
The Philippines' Ability to Reinforce Semiconductor Manufacturing Supply Chains

As a developing nation with a much smaller economy than other allies in Asia, the Philippines is only somewhat important for the United States when it comes to "friendshoring" semiconductor manufacturing. It has some critical mineral reserves and an expanding semiconductor manufacturing base, including Panjit International's recently opened plant which focuses on automotive semiconductors.[257] The Philippines has strengths in downstream outsourced semiconductor assembly and testing (OSAT), like Texas Instruments' site in Baguio, which is among its largest OSAT manufacturing sites outside the United States.[258] The Philippines seeks to develop this niche capability in the OSAT and packaging steps of semiconductors manufacturing and already has thirteen facilities for this.[259] That said, the country significantly lacks research and design and machinery production to fully exploit these resources or to participate in advanced chip fabrication.[260] Its ties to China—including deep trade dependence and Chinese investment in tech infrastructure—complicate efforts to insulate supply chains in the country from China-related risks.

The Biden administration designated the Philippines as a partner under the 2022 CHIPS and Science Act, which has provided U.S. State Department's International Technology Security and Innovation (ISTI) funding for the development of the country's semiconductors industry.[261]

FIGURE 14

The Philippines is Somewhat Important to Semiconductor Supply Chain Capabilities



"We're all in on the Philippines," said then secretary of commerce Gina Raimondo during a March 2024 visit to Manila, when she announced $1 billion in investments by American companies to help chip fabrication.[262] ISTI funding was temporarily frozen in early 2025 due to the wider foreign investment cuts by the Trump administration.[263] The Philippines seeks to continue to develop its niche capability in OSAT, but the U.S. International Trade Administration lists poor infrastructure, high power costs, slow broadband connections, regulatory inconsistencies, and corruption as disincentives to investment. This reduces its "friendshoring" utility.[264]

The Philippines' Ability to Increase Critical Minerals Supply Chains Resiliency

The Philippines is somewhat important to U.S. critical mineral interests, specifically for the raw materials of advanced batteries. It is the world's second-largest miner of nickel and the sixth-largest producer of cobalt and possesses substantial reserves and refining capacity for both metals.[265] There is evidence that the Philippines possesses some rare earth mineral deposits, but these are in the early stages of exploration. Only five percent of its gold, nickel, zinc, and silver reserves—estimated to be worth $1 trillion—has been explored.[266] This could provide an opportunity for a sectoral trade and investment deal with the United States.

The Philippines has "friendshoring" potential in critical minerals, though less than other U.S. allies and partners whose critical-minerals mining infrastructure and regulatory frameworks are already friendly to U.S. businesses. With its critical minerals reserves and semiconductors manufacturing capabilities, it could play a part in U.S. efforts to diversify its supply chains, but this would require significant development of its domestic infrastructure.[267]

The Philippines' Ability to Prevent Unwanted Dissemination of Advanced Technology to China

The Philippines is not an important ally for the United States when it comes to preventing the unintentional dissemination of sensitive technologies to China. It has significant exports of electronics to China, but it lags behind other U.S. allies in frontier technologies such as artificial intelligence and quantum computing.[268]

Even if it were technologically more developed, the Philippines would be unlikely to limit China's access to advanced technology because it has a long history of economic and technological cooperation with China.[269] As noted above, the two countries signed fourteen economic agreements in 2023 that will deepen cooperation in information and communications technology, among other areas.[270]

The Philippines' Ability to FDI in China's Technology Sector

A source of negligible foreign direct investment in China's technology sector, the Philippines is not an important ally for the United States for restricting this either. The Philippines total overall outbound FDI amounted to 0.6 percent of their GDP, which would hover around $2 billion total.[271]

The Philippines' Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

The Philippines offers the United States a useful salient for deterrence across the Luzon Strait, but the significance of this strategic geography to overall U.S. strategy should not be exaggerated.[272]

Manila provides Washington with access to military bases under a 2014 defense agreement that allows the United States to construct military facilities, to preposition materiel, and to rotate forces at locations across the Philippines.[273] In 2023, the Biden administration worked with Manila to expand sites where U.S. supplies are prepositioned—so called "EDCA"

FIGURE 15

U.S. Access to the Philippines' Bases under EDCA

sites—adding four new locations in the northeast, directly across the Luzon Strait from Taiwan, and one on Balabac Island, the westernmost undisputed island in the Philippines, close to the Spratly Islands.[274]

The United States can strike China's southern military bases from these bases.[275] Coastal defense systems such as the Typhon missile system can target Chinese navy ships in the Luzon Strait and provide coverage for cross-strait missile defense operations. Access to these bases also distributes forces across the region, complicating Chinese targeting and strengthening the survivability of U.S. assets.[276]

The Philippines' own military contributes in only the most limited ways. Its efforts to modernize and reorient away from domestic counterinsurgency toward self-defense have been slow.[277] It lags in key areas such as logistics and has very limited military innovation and defense-industrial capacity.[278] Its weak digital infrastructure and historical emphasis on internal over external security limits its value in a high-tempo, multi-domain conflict.[279] It can at best offer some logistics to U.S. soldiers on its soil.

Importantly, the United States is not guaranteed to have access to the Philippines' bases in a conflict over Taiwan.[280] Manila has long upheld the One China Policy status quo, does not have official diplomatic relations with Taiwan, and recognizes Beijing as the legitimate government of China.[281] In 2023, Marcos said: "it's very hard to imagine a scenario where we will not get involved."[282] But the Philippines might easily assess that it stands too much to lose in a conflict, including its territorial integrity, if it were to support the United States.[283]

Proponents of this alliance argue that the geographical benefits the Philippines brings need to be understood in the broader context of regional deterrence, that their value is not simply that they permit military access to the Luzon Strait, but that they complete a broader network of dispersed military relationships that offers substantial deterrent power for the defense of Taiwan. This claim is suspect, however, given that the United States would not pull away from defense of Taiwan if it did not have access to the Philippines; the Pentagon never claimed that this access was essential before gaining it, suggesting it is not so vital. There is no question that the Philippines offers an additional benefit, but what is left unanswered is what the marginal gain of that benefit is given the plethora of other defenses now and soon to be arrayed against China.

The Philippines' Ability to Co-Develop Military Technology and Weapons Systems with the United States

The Philippines is not an important ally for the United States for co-development of high-end military technology. It relies on foreign-produced weapons systems and has a limited innovation base.[284] The Philippines might help lower the costs of deployment of U.S. weapons somewhat by providing maintenance support, and during a March 2025 visit to Manila, Defense Secretary Hegseth outlined a vision for military co-production and announced plans to expand defense-industrial cooperation, beginning with unmanned systems.[285]

The Philippines' Ability to Support the United States to Shape the Future of Global Governance

The Philippines is not an important ally for furthering the United States' goals in international organizations and global governance. Although it is a founding member of ASEAN, APEC, the Asian Infrastructure Investment Bank (AIIB), the Asian Development Bank (whose headquarters is in Manila), and other multilateral fora, the size of its economy limits its weight. For example, in the Asian Development Bank, the Philippines' voting power and subscribed capital is less than other U.S. allies: it ranks eleventh among the sixty-seven contributing members, well behind Japan, South Korea, and Australia.[286]

U.S. troops watch as a Javelin missile hits a target at sea during a live fire exercise as part of the 2024 Balikatan U.S.-Philippines joint military exercises.

Source: Photo by Ezra Acayan/Getty Images

The Philippines cooperates with the United States in the Bretton Woods and UN institutions. However, its voting at the UN General Assembly is not very aligned with that of the United States. In 2023, it voted with Washington 37 percent of the time, a significantly lower alignment than that of other U.S. allies in Asia like Japan and South Korea, whose voting records were over 60 percent aligned with the United States.[287]

Estimation of the Philippines' Influence in the Global South

The Philippines provides only minimal development, humanitarian, and disaster-relief funds in its region, including through multilateral channels such as ASEAN, accounting for less than one percent of intra-regional aid.[288] It is primarily a recipient, not a provider, of official development assistance.

What the Future Holds

Proponents of deepening the alliance with the Philippines will argue that it is on a path to offer more than just militarily favorable geography, but that future—whenever it may arise—is beyond the scope of this study and theoretical at best.[289] It is true that the Philippines' geography is an asset for the United States when it comes to the military dimension of competition with China, but it is also a vulnerability given Beijing's designs on islands in the South China Sea. If Washington continues to assure Manila of its security commitment, it must do so with clear eyes about the risks involved and the country's military and technological limitations.

South Korea

Economically important but militarily focused on the noxious Kim regime in the North, South Korea is in a unique position among U.S. allies in Asia. It has a deeply asymmetrical defense relationship with the United States, which is responsible for defending it against aggression by North Korea—creating the risk that Washington could become entangled in a war on the peninsula—but it contributes only a limited amount to meeting other U.S. military objectives in the region—despite its considerable economic wealth. Seoul sees the competition between China and the United States as posing a risk to its economic and other interests, but it has nevertheless taken small steps toward a stronger relationship with Washington and also Japan in response to China's rise. In other areas, however, especially semiconductors, it offers far more. It is also a major world economy and, like the other allies in this study, a cooperative democracy.

South Korea

Global GDP Ranking

13th $1.79 trillion USD

Per Capita Income

$34,640 USD

Population

51,681,000

Geographic Size

37,424 square miles

Sources: International Monetary Fund. "World Economic Outlook (April 2025) - GDP per Capita, Current Prices." Accessed May 7, 2025. https://www.imf.org/external/datamapper/NGDPDPC@WEO; International Monetary Fund. "World Economic Outlook (April 2025) - GDP, Current Prices." Accessed May 7, 2025. https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; IMF. "Republic of Korea and the IMF." Accessed May 9, 2025. https://www.imf.org/en/Countries/KOR; "Korea, South." In The World Factbook. Central Intelligence Agency, March 18, 2025. https://www.cia.gov/the-world-factbook/countries/korea-south/#geography.

TABLE 5

South Korea Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Very important	Very likely
Increase Critical Minerals Supply Chain Resiliency	Very important	Very likely
Prevent Unwanted Dissemination of Advanced Technology to China	Very important	Somewhat likely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Very important	Somewhat likely
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Somewhat important	Somewhat Unlikely
Co-Develop Military Technology and Weapons Systems with the United States	Somewhat important	Very likely
Support the United States to Shape the Future of Global Governance	Somewhat important	Somewhat likely
Combat China's Influence in the Global South	Somewhat important	Very likely

Recent Trends in South Korea's Relations with the United States

The foundation of the relationship between South Korea and the United States is their 1953 Mutual Defense Treaty, which was complemented by the U.S.-Korea Free Trade Agreement of 2012.[290] Washington has long supported Seoul in containing North Korea, enabling South Korea to emerge as an advanced industrialized economy of substantial weight in the Indo-Pacific.

South Korean contributions to U.S. efforts to compete with and deter China have grown, even as Seoul remains mainly focused on Pyongyang. The U.S.-ROK summit in 2021 lifted restrictions on South Korea's development of longer-range ballistic missiles, thus opening up the possibility of strikes inside China —theoretically, at least— while also referencing the Taiwan Strait as a concern.[291] The 2023 summit then strengthened civil nuclear collaboration, announced plans to dock U.S. nuclear-armed submarines in South Korea, and emphasized shared interests in freedom of navigation in the South China Sea and the Taiwan Strait.[292]

The relationship with the United States has been uncertain since Trump implied that President Lee Jae-Myung benefitted from Chinese interference to win South Korea's April 2025 election.[293] The Trump administration is considering withdrawing thousands of U.S. troops from South Korea and relocating them elsewhere in the region.[294] Polling shows a modest decline in the percentage of South Koreans who believe the United States would defend them in a war with North Korea, as well as in those who view the United States as a trustworthy partner—though this decline is less pronounced than in other allied nations studied.[295]

Recent Trends in South Korea's Relations with China

Of the United States' Indo-Pacific allies covered in this study, South Korea is the most cautious about antagonizing Beijing, in part because its economy is deeply integrated with China's. This has led to a traditional strategy of "economy with China, security with the United States," aimed at balancing between the two powers.[296]

More recently, Seoul has grown cautious about its relationship with Beijing in response to U.S. pressure and due to concerns about China's regional assertiveness. Its 2016 decision to host a U.S. Terminal High Altitude Area Defense (THAAD) missile-defense system drew Beijing's ire because this could be used against not only North Korea but also China.[297] South Korea has also worked to de-risk its economic relationship with China while maintaining strategic relations. China's importance as a foreign market for South Korea has declined since 2019, whereas the importance of exports to the United States has increased in the process.[298]

South Korean leaders nevertheless seek to avoid confrontation with Beijing. In 2024, for example, Yoon reinstated trilateral talks with China and Japan after a five-year hiatus.[299] South Korea also hosted a trilateral meeting of their trade ministers in March 2025, which discussed a potential free-trade agreement to mitigate the impact of new U.S. tariffs.[300]

Seoul has grown cautious about its relationship with Beijing in response to U.S. pressure and due to concerns about China's regional assertiveness.

Risks of U.S. Entanglement Due to the Alliance with South Korea

The U.S. alliance with South Korea commits America to defending South Korea against invasion from the North. Clearly, in the event of a North-South war, the United States would be deeply involved due to the presence of large numbers of U.S. land forces, joint operational military plans with the South, and its treaty obligations. Given that defending South Korea against attack from the North is the sole purpose of the U.S.-ROK Mutual Defense Treaty it would be inaccurate to consider acting on that commitment a case of entanglement. Nevertheless, the commitment that America makes to defend South Korea comes at considerable cost and risk, risk that has been growing as Pyongyang has acquired nuclear weapons and other advanced military capabilities. A war in the Korean Peninsula would moreover involve indirect and potentially direct conflict with China, North Korean strikes on Japan, potential nuclear weapons use by the North, proliferation of loose nuclear material, and might even prompt a Chinese invasion of Taiwan—just to identify a few of the major risks.

South Korea's Ability to Reinforce Semiconductor Manufacturing Supply Chains

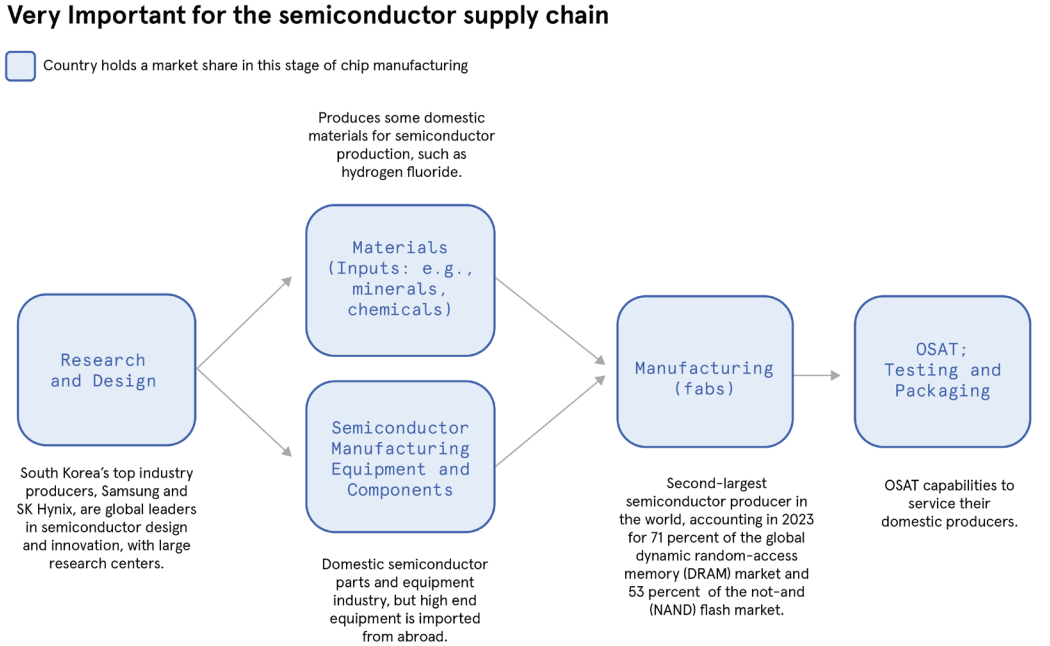
South Korea is a key ally for the United States when it comes to de-risking semiconductor manufacturing supply chains.[301] South Korea's strength lies in its extensive fabrication plants as the second-largest semiconductor producer in the world, accounting in 2023 for 71 percent of the global dynamic random-access memory (DRAM) market and 53 percent of the not-and (NAND) flash market, two important memory chips with artificial intelligence and other commercial applications.[302] South Korea is constructing the world's largest semiconductor hub in Yongin, which will house six large-scale semiconductor fabs by 2030.[303] South Korea's top industry producers, Samsung and SK Hynix, are global leaders in semiconductor design and innovation, with large research centers in the country.[304] South Korea also has OSAT capabilities to service its domestic producers, although they are much smaller scale than global leaders in Taiwan.[305] Its universities have extensive research and educational collaborations with industry producers to spur chip design and development.[306]

South Korea produces some domestic material such as hydrogen fluoride for semiconductor production, but remains reliant on foreign imports.[307] It also has a burgeoning semiconductor parts and equipment industry, but most high-end fabrication machinery is imported from abroad.[308]

South Korea has the political will to maintain strong cooperation with the United States on reinforcing semiconductor supply chains. In 2025, South Korea was able to secure unrestricted access to American chips as part of U.S. global technology export controls.[309] South Korean investments in the United States were already increasing prior to the 2022 CHIPS and Science Act, with firms such as Samsung, LG, and Hyundai pledging to invest $39.4 billion dollars in the United States to build plants or to improve infrastructure for their products.[310] Since then, South Korea has agreed to invest $350 billion in the United States as part of a trade agreement with further private investments likely.[311] South Korea is involved in U.S.-led semiconductors initiatives, such as the Next Generation Critical and Emerging Technologies (CET) Dialogue and the "Fab 4" grouping with Japan and Taiwan. Seoul and Washington have also formed a Supply Chain and Commercial Dialogue.[312] Under its 3050 Strategy Initiative, it aims to reduce dependence on other countries to 50 percent by 2030; as of 2024, the government had committed to provide $223.7 million annually in tax subsidies for advanced manufacturing and $74.6 million annually in semiconductors and electric-vehicle research grants.[313] These "friendshoring" initiatives will likely depend on continued U.S. incentives and the presence of a growing market for South Korean firms.

FIGURE 16

South Korea's Importance to Semiconductor Supply Chain Resilience



South Korea's Ability to Increase Critical Minerals Supply Chain Resiliency

South Korea is very important for U.S. critical mineral interests, particularly for producing advanced batteries, electronics grade silicon, and high-purity tungsten for military applications. For advanced batteries, South Korea's POSCO Future M is a leading global producer of precursor chemicals including lithium hydroxide and NMC cathodes, while KEMCO produces high volumes of nickel sulfate and is building a new plant.[314] South Korea also produces natural and synthetic graphite for anodes in advanced batteries.[315] OCI is an important global source of polysilicon for semiconductors with plants in Gunsan and in Malaysia.[316] South Korea also produces antimony and tantalum and is developing praseodymium and neodymium refining for military-grade magnets.[317] The Sangdong mines will become one of the largest sources of non-Chinese high-purity tungsten for munitions and has received substantial government and foreign support.[318]

South Korea has moreover sought to develop a long-term strategy to reduce its reliance on China for critical minerals. It aims to reduce import dependency on critical minerals to 50 percent by 2030 and is expanding its stockpile capacity.[319] Seoul has shown a willingness to work with Washington on diversifying critical minerals supply. In 2025, it is the chair of the Minerals Security Partnership (MSP), an initiative to strengthen U.S. supply chains with partners for critical minerals.[320] Through MSP, South Korea's POSCO International is making a purchase commitment to help develop a graphite mine in Tanzania.[321]

South Korea's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

South Korea is a key ally for the United States in efforts to prevent the unintentional dissemination of sensitive technologies to China, but its importance in this has been eroded by Beijing's growing self-sufficiency and technological advances in sectors where South Korea has traditionally had an edge.[322]

South Korean firms lead globally in memory-chip technologies and have a large manufacturing presence in China.[323] For example, Samsung's Xi'an fabrication facility produces 15 percent of the global supply of NAND chips, while SK Hynix's Wuxi and Dalian facilities account for 40 percent of its production of DRAM chips and 20 percent of its total production of memory chips.[324] However, China now outperforms South Korea in memory-chip technology, low-power AI semiconductors, power semiconductors, and next-generation sensing technology.[325] While China has not quite caught up with South Korea when it comes to 12–14 nanometer advanced chip nodes, its "whole nation" technology innovation approach to chip design poses a significant challenge to Samsung and SK Hynix's current

dominance in the memory-chip sector. Seoul is likely to restrict China's access to sensitive technologies to safeguard its current leadership in chip innovation and production, but this will matter less as the latter's advanced chip-making technologies surpass South Korea's. South Korea has other technological strengths, including in AI (where South Korea is ranked seventh in the world), and in 5G and telecommunications infrastructure.[326]

South Korea has made efforts to pivot toward the United States and to deny China access to sensitive technologies.

South Korea has thus made efforts to pivot toward the United States and to deny China access to sensitive technologies. For instance, Seoul has adhered to U.S. restrictions by blocking chip-making equipment for next-generation technology from being used in South Korean facilities in China.[327] Incentivized by subsidies laid out in the U.S. Inflation Reduction Act, South Korean companies have meanwhile moved to open plants in the United States.[328] After the recent arrest of two former Samsung employees accused of stealing trade secrets to replicate chip-making facilities in China, South Korea has also introduced harsher punishments for technology-related crimes.[329] It also has a legal regime that can moderate China's access to its sensitive technology. In 2022 it passed a special act that requires the Minister of Trade, Industry, and Energy to approve the export of strategic technologies overseas.[330] In 2024, it introduced national security screening for inbound investments in domestic firms with strategic technologies to prevent their leakage to other nations.[331] These pieces of legislation reflect South Korea's heightened vigilance and intent to protect its sensitive technologies. At the same time, though, it seeks concessions from the United States on trading with China. For example, in 2023, Samsung and SK Hynix received "indefinite waivers" to ship U.S. semiconductors manufacturing equipment to their factories in China "without separate U.S. approvals."[332]

South Korea's Ability to Restrict FDI in China's Technology Sector

South Korea is an important investor in China's technology sector that can facilitate or complicate the latter's development of technologies. It is the seventh-largest sovereign source of FDI in China, at $3.51 billion in 2024.[333] It is very unlikely that South Korean firms will stop investing in China altogether. For example, the Korea Investment Corporation, South Korea's sovereign wealth fund, is eyeing data centers and AI startups in China's tech hubs, which many argue could help facilitate China's AI boom.[334] At the same time, there has been divestment from some sectors, such as automobiles.[335] South Korea has an outbound investment screening mechanism through the Act on Prevention of Divulgence and Protection of Industrial Technology (APDPIT). This allows the government to restrict outbound investments for a "national core technology," or technologies developed using government research or funding.[336]

South Korea's Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

South Korea has substantial military capabilities. For example, land-strike capabilities include indigenous multiple-missile launchers, U.S. produced Army Tactical Missile Systems (ATACMS) and bunker-busters, and the air-to-surface missiles, that together with the F-35, provide long-range air-launched precision strike capabilities against land and sea targets.[337] South Korea also produces indigenous sea-skimming, anti-ship cruise missiles, and its destroyers are armed with anti-ship and land attack variants.[338] Missile defenses range from the U.S. Patriot system and mid-range indigenous interceptors to THAAD for long-range interceptions.[339]

These capabilities are not very relevant, however, to the China problem set. Seoul has historically been very reluctant to allow the U.S. forces it hosts to play a role in military activities aimed at China. From its point of view, the 28,000 personnel stationed in the country at Camp Humphreys, which the U.S. Army calls "the largest power projection platform in the Pacific," are there to protect the country from North Korea and not to deter China.[340] Some experts argue that this picture is changing, but there is still clearly a long way to go. Earlier this year, the United States Forces Korea confirmed the shift toward strategic flexibility on the peninsula and that it would support "the broader objectives of the U.S Indo-Pacific Command," with its commanding general suggesting the peninsula could be like an "aircraft carrier."[341] In the last few years, South Korea has reluctantly agreed to permit the United States to operate some submarine forces from its shores, and U.S. nuclear submarines now make regular port calls at Chinhae, the only U.S. naval base on mainland Asia.[342] The China hawks in the Trump administration may press Seoul to take a firmer supportive position in a Taiwan contingency.[343]

It is unclear how the South Korean public would respond to an invasion of Taiwan by China. In a recent survey, some 42 percent of South Korean respondents supported the idea of the U.S. providing rear support missions for Taiwan from the Korean Peninsula. Around 25 percent said that U.S. Forces Korea should remain exclusively focused on defending South Korea against potential North Korean provocations in the case of a Taiwan contingency.[344] Within South Korea, there is no consensus on what the country's role should be.[345]

FIGURE 17

U.S. Bases in South Korea

South Korea's Ability to Co-Develop Military Technology and Weapons Systems with the United States

South Korea can be a helpful ally to the United States when it comes to military technology, but not a critical one. The United States does not rely on South Korea for complete weapons systems, and no U.S. weapons system is critically dependent on South Korean production. However, South Korea participates in the F-35 program, produces some of the metal parts that go into the fighter jets, and is currently building its own F-35 maintenance depot that will be operational by 2027.[346] During the Biden administration, the two countries expanded their cooperation on developing autonomous systems, AI, and quantum technologies through a new Defense Science and Technology Executive Committee.[347] They also regularly work together through the Cyber Cooperation Working Group.[348] There is also an ongoing effort to strengthen the two militaries' interoperability for unmanned systems and emerging technologies.[349] Seoul is keen to work with Washington to co-develop military technologies.[350]

South Korea is also becoming an important ally for the United States to meet its need to expand its shipbuilding capacity, which is widely recognized as a bottleneck in the effort to expand the U.S. fleet to compete with China's. South Korea has the second-largest shipbuilding industry in the world and it recently reclaimed from China the top spot for global orders of high-value, low-carbon ships, with over $13.6 billion in contracts.[351] In December 2024, South Korean firm Hanwha acquired Philly Shipyard, a leading U.S. commercial and government shipyard, for $100 million.[352] Hyundai had just before signed a memorandum of understanding with Philly Shipyard to cooperate on shipbuilding projects for the U.S. government.[353] This trend of cooperation is likely to continue.

South Korea's Ability to Support the United States to Shape the Future of Global Governance

South Korea is not a major player in international organizations, but it broadly supports U.S. initiatives in them. Former President Yoon expressed a vision of the country becoming a "global pivotal state," which would see it "embracing greater roles and responsibilities" in the Indo-Pacific and pursuing "values-based diplomacy."[354] This entailed calling for states to band against China's coercive influence and for Seoul to take on humanitarian initiatives in the United Nations.[355] South Korea is an important player in the Asia-Pacific Economic Cooperation having hosted the forum in 2025, and is the fifth-largest member by subscriptions and voting power in the China-led Asian Infrastructure Investment Bank.[356] It is not a member of ASEAN but works closely with it through the ASEAN-Korea Cooperation Fund.[357] Compared to some other U.S. allies, it has only moderately aligned with the United States in UN General Assembly votes; in 2023, their votes coincided in 60 percent of cases, making South Korea the forty-third most-aligned country with Washington.[358] However, it was joint-first among Asia-Pacific countries in Ukraine-related votes (100 percent) and fifth in votes classified as important by the State Department (62 percent).[359]

Estimation of South Korea's Influence in the Global South

South Korea is a somewhat important ally for the United States when it comes to providing development and infrastructure assistance to the Global South and reducing reliance on China. In 2024, it was thirteenth among the providers of ODA.[360] In 2023, it allocated 49 percent of its total bilateral development assistance to countries in Asia, amounting to $1.3 billion. It is less active in other regions: It allocated $490.5 million in bilateral ODA to African countries and 289.4 million to Latin America and the Caribbean.[361] It has some capacity to compete with China's development projects abroad through the Korea Overseas Infrastructure & Urban Development Corporation (KIND). KIND promotes Korean participation in overseas infrastructure projects through equity investments and project development.[362] Further, the Korean Development Bank (KDB), though primarily focused on domestic economic development and corporate finance, also supports overseas projects that help Korean firms expand abroad, serving as another development finance alternative to Beijing's projects.[363]

The Yoon administration aimed to double ODA by 2030, and it made commitments as a part of the trilateral partnership with Japan and the United States to continue providing physical and digital infrastructure support to Southeast Asian nations.[364] At the inaugural Korea-Africa Summit in 2024, Seoul said it would provide expertise to assist in the efforts to set up an African Continental Free Trade Area, and it pledged to support the development of critical industries, peace operations, and education initiatives in the continent.[365] President Lee has said he aims to continue fostering good relationships with the Global South.[366]

What the Future Holds

The Yoon administration (2022–2025) was one of the most pro-American in South Korea's history.[367] In contrast, Lee's DPK has traditionally favored "strategic ambiguity" between the United States and China. But Lee's term begins at a time when the DPK's foreign policy priorities are shifting.[368] China's economic coercion over the THAAD missile defense deployment made the DPK recognize the primacy of the security alliance with the United States, and it has incrementally shifted away from its balancing act between the two superpowers.[369] This does not mean it will line up staunchly in the U.S. camp, however. In 2022, Lee wrote that "Seoul needs to get along with Beijing" to achieve any of its objectives in Northeast Asia.[370] Skepticism about the need for large U.S. forces on the Peninsula may increase gradually in Washington as long as South Korea resists efforts to make these forces more relevant to competition with China. Washington will likely continue to seek close cooperation with Seoul on the economic and technological challenges outlined above.

European Allies

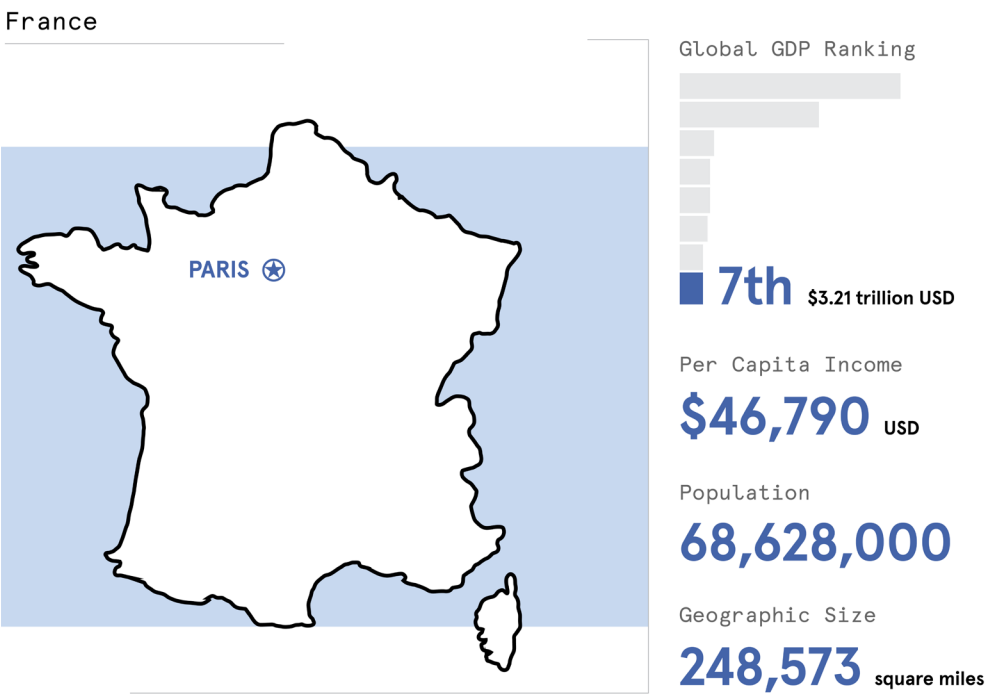
FRANCE

GERMANY

UNITED KINGDOM

France

France remains one of the United States' most enduring and strategically important allies, but its Gaullist commitment to an independent foreign policy means it sometimes diverges from U.S. priorities, including on China.[371] Under President Emmanuel Macron, Paris has focused on bolstering European defense capabilities to help reduce dependence on the United States and counter an increasingly threatening Russia. Paris has also sought a more active and independent role in the Indo-Pacific where it has territories in the Indian and Pacific oceans. France's approach to China is increasingly complex; while it would prefer not to reduce its economic links and diplomatic engagement with Beijing, it has imposed restrictions on Chinese access to key technologies and is wary of China's power. In an era of increased U.S.-China rivalry, France has sought a "third way," guarding its independence and steering clear of full alignment with either power.



Sources: "World Economic Outlook (April 2025), International Monetary Fund, https://www.imf.org/external/datamapper/datasets/WEO; International Monetary Fund, January 2025 World Economic Outlook Update. France Country Page, https://www.imf.org/en/Countries/FRA; Central Intelligence Agency, World Fact Book, France, https://www.cia.gov/the-world-factbook/countries/france/factsheets/.

TABLE 6

France Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Not important	N/A
Increase Critical Minerals Supply Chain Resiliency	Somewhat important	Somewhat Unlikely
Prevent Unwanted Dissemination of Advanced Technology to China	Somewhat important	Somewhat Unlikely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Very important	Somewhat Unlikely
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Not important	N/A
Co-Develop Military Technology and Weapons Systems with the United States	Not important	N/A
Support the United States to Shape the Future of Global Governance	Somewhat important	Somewhat likely
Combat China's Influence in the Global South	Very important	Somewhat likely

Recent Trends in France's Relations with the United States

As the United States' oldest ally, France remains vitally important to Washington, and one of its most militarily and diplomatically capable allies.[372] At the same time, France has been more willing than other European countries to explore arrangements outside of U.S. security commitments, advocate for indigenous European defense capabilities, and promote the idea of European-led defense. This has not changed under Macron's leadership.[373] The United States and France have butted heads over several important issues, including support for Ukraine, the war in Gaza, and Europe's ambition to assert itself in an era of great power competition.[374] Recent American trade policy, including Biden's Inflation Reduction Act (which boosted subsidies for American companies at the expense of competitors in the EU) and Trump's threats of tariffs (including threatening to impose 200 percent tariffs on French wine[375]) have further strained relations. A March 2025 survey found that fewer than one-third of French citizens consider the United States an "ally," with most viewing it as a "neutral" or an "enemy" country. While there is no directly comparable data from previous years, such views are indicative of the political context in which French leaders operate when engaging Washington.[376]

Recent Trends in France's Relations with China

In recent years, the relationship between France and China has been defined by competing priorities, ranging from French opposition to China's support for Russia's war in Ukraine to trade and deepening of economic ties. Amid disagreements, France and China have facilitated high-level diplomatic exchanges, cooperation agreements, and commitments toward working together on a variety of issues.[377] In April 2023, Macron visited Beijing, signing numerous agreements and discussing Ukraine.[378] In May 2024, Xi traveled to France on his first visit to the EU in five years, discussing trade imbalances even as the EU investigated subsidies in several Chinese industries such as electric vehicles. The visit highlighted France's leadership within Europe on engaging China on such issues.[379]

Macron has championed the idea of a "third way" for France in the Indo-Pacific. In an era of increased competition between the United States and China, France hopes to avoid antagonizing China, instead seeking to preserve strategic autonomy from Washington. In his words, Europe must show that "it's never going to be a vassal for the United States" when it "speaks to other regions of the world."[380] This has been particularly salient following Russia's invasion of Ukraine, as France sought (unsuccessfully) to keep China from throwing its weight behind Putin's military campaign, instead hoping Beijing would help push Moscow towards peace.[381]

In an era of increased competition between the United States and China, France hopes to avoid antagonizing China, instead seeking to preserve strategic autonomy.

Risk of U.S. Entanglement Due to the Alliance with France

The risk that the United States would find itself entangled in a war in which it has only limited interests on account of its alliance with France is very low. As with the other European allies in this study, the alliance could marginally increase the tendency for the United States to exaggerate the importance of Ukraine and thus slightly increase the risk of an unnecessary war with Russia, but the risk is nominal.

France's Ability to Reinforce Semiconductor Manufacturing Supply Chains

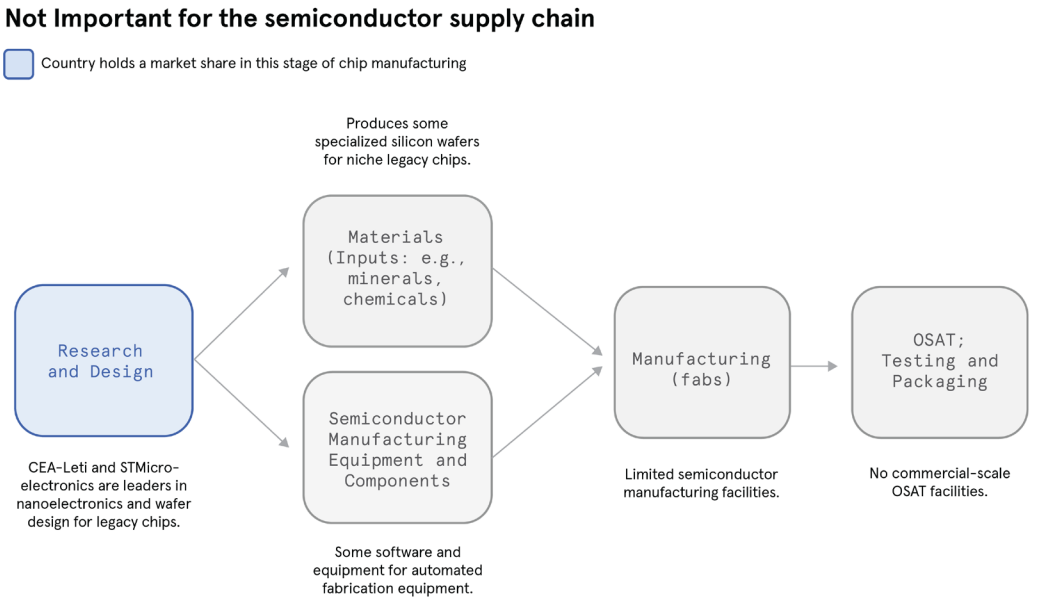
France is not an important partner for the United States' friendshoring objectives for semiconductor manufacturing since it lacks significant production capabilities for material inputs, semiconductor fabrication facilities and OSAT capabilities. Regardless, France is seeking to build a domestic semiconductor supply chain through new funding efforts. France does have strengths in chip research and design such as CEA-Leti, a leading semiconductor research institute in Grenoble that focuses on nanoelectronics and legacy chips.[382] Similarly, STMicroelectronics's Crolles site houses design, R&D, and limited production facilities for 200 mm and 300 mm silicon wafers used in certain legacy and advanced chips.[383] Some France-based companies, such as Agileo Technologies and EURIS Semiconductor, develop and produce equipment for semiconductor fabrication like automated handling systems.[384] French defense group Thales is in talks with French connector maker Radiall and Taiwan's FoxConn to establish an OSAT facility with a production capacity of 100 million system-in-package units annually by 2031, but the company acknowledges this will require significant private sector investment and government support.[385] While France is working to onshore semiconductor production, its lack of large commercial-scale manufacturing facilities means it has less to offer the United States that would help it shift the production of semiconductors away from China.

France's Ability to Increase Critical Minerals Supply Chains Resiliency

Overall, France is somewhat important for U.S. critical minerals interests. Apart from some nickel and cobalt mining in New Caledonia, France possesses few significant mineral deposits and no active mining operations.[386] However, in recent years under its 2030 investment plan, France has recommitted to developing a domestic supply chain for critical minerals.[387] In April 2025, Solvay launched a production line for rare earth metal permanent magnets in La Rochelle which aims to supply 30 percent of European demand by 2030.[388] A second rare earths plant is in development, financed by a partnership between the French government and Japan's JOGMEC.[389] In May 2024, France, alongside Germany and Italy, announced

FIGURE 18

France Not Important to Semiconductor Supply Chain Capabilities



national investment plans of $3 billion to develop the critical raw materials value chain by promoting equity stakes in mines, processing, and recycling units.[390] Domestically, France refines antimony trioxide which can be used for certain defense applications.

France is a member of the Minerals Security Partnership (MSP) and the Partnership for Global Infrastructure and Investment (PGII) and has partnered with the United States on projects funded under the 2022 CHIPS and Science Act and Science and European Chips Act.[391] Macron has also pushed against escalating rhetoric around supply chains within U.S.-China competition and has opted to describe France's "de-risking" strategy as one that would reduce dependence on the United States as well as China.[392]

France's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

France has significant strengths in its technology industry, especially in its nuclear and quantum technology, but its technology lags behind the United States and China, making it somewhat important when it comes to preventing the unintentional dissemination of sensitive technologies to China.

France is a global leader in nuclear fuel reprocessing and a nuclear energy powerhouse, with 64.8 percent of its total domestic electricity generated from nuclear sources.[393] China pursued a nuclear fuel reprocessing plant with French company Orano, a leader in nuclear fuel reprocessing, in 2018, though the status of that project remains unclear as China's indigenous nuclear technology has advanced.[394]

According to a 2022 RAND report, France ranks eighth globally in quantum research output and occupies a more central position in research collaboration than China.[395] France's quantum start-ups, such as Alice & Bob and PASQAL are also growing players in the global quantum start-up space.[396] Alice & Bob in particular is a leading hardware developer for innovating fault tolerant quantum computers, and it ranks tenth overall globally and first in the Quantum Insider's 2024 rankings for "Top Hardware-Focused Quantum Computing Companies."[397]

France has committed to a approximately $120 billion investment in AI "over the next few years."[398] Mistral AI, France's preeminent AI start-up that rivals OpenAI's ChatGPT-4o on a number of metrics, is an accessible and affordable alternative to industry giants, albeit with a small footprint in the field.[399] While France maintains high ambitions in the global AI market, its AI start-up space and venture capital funding is still relatively too small to compete with U.S. and Chinese funding models.[400]

France has focused on limiting China's access to technology, both within the framework of the EU and bilaterally. In 2018, France tightened controls on Chinese investment to limit access to its technology, including refusing multiple Chinese investment offers.[401] While France stopped short of an outright ban on Huawei, it imposed strict limitations on the use of the company's equipment in 5G infrastructure, going further in phasing out Huawei compared to the United Kingdom.[402]

Some of France's actions thus indicate a willingness to restrict China's access to advanced technology. France's Strategic Intelligence and Economic Security Service's voting threshold for FDI screening in sensitive fields, however, has decreased from 33 percent to 10 percent between 2020 and 2024.[403] According to the ASPI Academic tracker, ninety-three French academic institutions maintain partnerships with high-risk Chinese institutions that contribute to developing Chinese military capabilities.[404] This highlights the limits of France's tech restrictions.

France's Ability to Restrict FDI in China's Technology Sector

France is a very important partner in restricting FDI into China's technology sector. In 2024, France was the ninth-largest sovereign source of FDI into China at $1.34 billion.[405] France was also one of the fastest-growing sources of direct investment in China that year.[406] France has invested extensively in Chinese technologies, particularly in AI companies and biotechnologies.[407]

France is somewhat unlikely to restrict investment in China's technology sector. Unlike other allies studied, such as South Korea and the United Kingdom, France does not have any outbound FDI screening regime, though the EU has issued a nonbinding recommendation urging its member states to implement outbound FDI screening, especially in sensitive sectors such as semiconductors, AI, and quantum technologies.[408] France is also among the least restrictive countries for inbound foreign investment, with no statutory limits on foreign ownership of companies (except in certain specified sectors).[409] However, investments that may impact national security, particularly in areas tied to public order, defense, or critical technologies, are subject to a mandatory review by the Ministry of the Economy.[410]

France's Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

In July 2025, France released an updated Indo-Pacific strategy, with an emphasis on protecting France's interests in the Indo-Pacific, which it sees as threatened by China's expanding footprint.[411] The updated strategy notes "China's growing assertiveness and strong trade tensions" and describes France's unique position as a "European and Indo-Pacific nation." France is the only EU country with military bases in the Indo-Pacific—stationed in New Caledonia, French Polynesia, and Réunion—but these bases lie thousands of miles from the Taiwan Strait and are primarily for maritime surveillance, policing, and humanitarian assistance, not high-end combat support.[412] While France conducts regular deployments—such as carrier transits through the Taiwan Strait and East China Sea—its Indo-Pacific bases provide limited logistical depth and lack advanced strike capabilities or command infrastructure.[413]

France also participates in multinational exercises, joint training of fighter jets, and "under the threshold" activities alongside U.S. allies in the region.[414] France contributed forces to the Australia-led Talisman Sabre, Pitch Black, Kakadu, and RIMPAC exercises, where its naval and air forces train alongside U.S., Japanese, Australian, and other regional partners—often in complex maritime drills and interoperability scenarios.[415] France's Pégase deployment in 2023 delivered ten Rafale fighters along with tankers and transport aircraft

to Guam and nearby locations, conducting integrated sortie operations with U.S. F-35s and Japanese air forces under Northern Edge exercises.[416] Such exercises add some value, but barely factor in the scope of the overall U.S. military footprint in the region.

Like other U.S. allies in Europe, what France offers militarily in the event of a war over Taiwan will depend a great deal on context and how the war begins.

Like other U.S. allies in Europe, what France offers militarily in the event of a war over Taiwan will also depend a great deal on context and how the war begins. In April 2023, Macron asserted that "We, Europeans, must wake up. Our priority is not others' agendas in all regions of the world."[417] By this he was widely viewed as asserting that France would make its own policy over Taiwan and not simply follow the United States. He later clarified that this did not mean that France would in any way accept a Chinese invasion, however.[418] Like other European allies France would likely support severe sanctions in the event that China was viewed as the perpetrator of the conflict.

France's Ability to Co-Develop Military Technology and Weapons Systems with the United States

While France possesses strong domestic military technology, it does not co-develop weapons systems with the United States, but (for commercial and national security reasons) instead seeks to maintain full control over the design, export, and operational use of its military technologies—such as the Rafale fighter jet and Suffren nuclear-propelled attack submarine.[419]

France's Ability to Support the United States to Shape the Future of Global Governance

France is a somewhat important partner for the United States in assisting the United States in shaping global governance. Although France has a permanent seat on the UN Security Council, it is less important in Asian regional fora than other U.S. allies. France has a sizable share of capital subscriptions in both the Asian Development Bank and the Asian Infrastructure Investment Bank, ranking thirteenth and eleventh respectively in voting power in both institutions.[420] France has been a Development Partner of ASEAN since 2020; it works with the regional body through annual ASEAN-France Development Partnership Committee meetings and the $11.69 million ASEAN-France Fund that aims to assist in the identified Practical Cooperation Areas for 2022–2026. France is not a member of the Asia-Pacific Economic Cooperation.[421]

France is somewhat likely to cooperate with the United States on global governance. In 2023, France was the eighth highest country in terms of voting coincidence with the United States in the UN General Assembly.[422] On Israel-related votes, France had a much lower voting coincidence at 17 percent, but on Ukraine, the coincidence was 100 percent.[423] In the UN Security Council, France's voting coincidence was 92 percent in 2023, which is much higher due to the risk of utilizing the veto as a permanent member. While France remains largely aligned with the United States in the UN, it still has pushed for the capacity to act independently within Asian regional organizations. In Macron's 2025 Shangri-La Dialogue keynote address, he urged ASEAN nations to resist confrontation within great power competition and asserted that "France is no less attached to what is essential for herself: strategic autonomy, freedom of sovereignty."[424] Macron also championed the "third way" and strategic autonomy in his trips to Vietnam, Indonesia and Singapore ahead of the dialogue, while suggesting that NATO could be engaged in Asia if China refused to restrain North Korean troop deployment in Ukraine.[425]

Estimation of French Influence in the Global South

France has considerable influence around the world. It is a major leader in global development assistance and is the fifth-largest donor country in 2024, with ODA amounting to $15.4 billion. When ranked by prioritization of development, France was the eleventh-largest donor, spending 0.48 percent of its GNI on ODA in 2024.[426] France's bilateral ODA was primarily focused on countries in Africa, allocating $4.6 billion (41.5 percent) of its bilateral development assistance to African countries, $1.3 billion to Asian countries, and $1.2 billion

Workers conduct renovations as part of the Trans-Gabon Railway modernization program in Gabon on March 21, 2025. The renovation is partly financed by a €173 million loan from the French Development Agency and a €30 million grant from the European Union as part of its Global Gateway Initiative.

Source: Photo by NAO MUKADI/AFP via Getty Images

to Latin America and the Caribbean.[427] Its development finance institution, Proparco, a subsidiary of the French government's official development agency, focuses on private sector development projects in emerging markets, especially in Africa. France does not characterize its aid as a strategic competitor to Chinese investments.

As in the UK and United States, France's development budget is declining, with a 35 percent cut in their most recently approved spending bill.[428] Paradoxically, however, public support remains high within France for spending on overseas aid: in February 2025, a survey showed most French people support an increase in development aid.[429] Therefore, France is somewhat likely to continue cooperating with Washington in countering China's influence in the Global South.

What the Future Holds

France is an important and powerful ally for the United States in strategic competition with China, but Paris will continue to pursue its own interests vigorously including when they diverge from Washington on China. Nevertheless, provided that French politics do not produce a radically anti-U.S. government in 2027, and trade tensions with Washington are resolved, opportunities for deepening cooperation on China will grow, especially if China continues to back Russia's military, or if market conditions in China render investment there less attractive for French and European firms.

Germany

Germany's relationship with the United States is rooted in deep economic ties, a history of close cooperation on major national security problems, and the large presence of U.S. military forces in the country. In contrast, Germany's relationship with China is first and foremost about trade and investment. Germany is an important investor in China's advanced-technology sector and an important market for China's exports. Germany is also a major global provider of development and infrastructure funding relevant to strategic competition. It remains uncertain how far Germany will follow the United States in reducing economic ties to China in the next few years, but opportunities to deepen cooperation longer term are likely if current trends in China's economic and foreign policy continue—and further damage to Germans' trust in America can be avoided.

Germany

Global GDP Ranking

3rd $4.74 trillion USD

Per Capita Income

$55,910 USD

Population

84,863,000

Geographic Size

137,864 square miles

Sources: International Monetary Fund. "World Economic Outlook (April 2025) - GDP, Current Prices." Accessed April 30, 2025. https://www.imf.org/external/datamapper/NGDPD@WEO; International Monetary Fund. "World Economic Outlook (April 2025) - GDP per Capita, Current Prices." Accessed April 30, 2025. https://www.imf.org/external/datamapper/NGDPDPC@WEO; International Monetary Fund. "Germany and the IMF." Accessed April 30, 2025. https://www.imf.org/en/Countries/DEU; "Germany." In The World Factbook. Central Intelligence Agency, April 23, 2025. https://www.cia.gov/the-world-factbook/countries/germany/.

TABLE 7

Germany Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Very important	Somewhat likely
Increase Critical Minerals Supply Chain Resiliency	Somewhat important	Very likely
Prevent Unwanted Dissemination of Advanced Technology to China	Somewhat important	Somewhat likely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Very important	Somewhat Unlikely
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Not important	N/A
Co-Develop Military Technology and Weapons Systems with the United States	Somewhat important	Very likely
Support the United States to Shape the Future of Global Governance	Somewhat important	Somewhat likely
Combat China's Influence in the Global South	Very important	Somewhat likely

Recent Trends in German Relations with the United States

The relationship between Germany and the United States—anchored in defense, trade, and broadly shared values—has long been a cornerstone of U.S. strategy in Europe and globally. Germany has supported major post-Cold War NATO operations, hosts the largest number of American troops in Europe, and is one of five NATO members hosting U.S. nuclear weapons.[430] Economic ties have deepened over the last decade; in 2024, the United States overtook China as Germany's top trading partner, with bilateral trade reaching $297 billion.[431]

The relationship has entered a new phase with the Trump administration's tariffs hitting Germany hard and a possible reduction in the presence of U.S. troops in the country on the horizon.[432] Since taking office in May, Chancellor Friedrich Merz has redoubled efforts to strengthen Europe's military defenses. The leader of the traditionally pro-U.S. Christian Democratic Union has described himself "a European of conviction, a trans-Atlanticist, [and] a German open to the world."[433] Amid public concern in Germany about the trajectory of U.S. policy under Trump, Merz has pivoted away from complete alignment with the United States, stating his intent to strengthen Europe and "really achieve independence" from Washington.[434] In a March 2025 poll, only 16 percent of voters viewed the United States as a trustworthy partner—a sharp decline from 54 percent in October 2024.[435] Germany's willingness to support U.S. objectives regarding China will inevitably be affected by these new dynamics.

Recent Trends in German Relations with China

Germany is one of the members of the European Union with a stronger relationship with China, which it elevated to a comprehensive strategic partnership in 2014.[436] Berlin long followed the "change through trade" approach with Beijing, hoping that this would alter China's authoritarian practices.[437] More recently, however, in part due to pressure from the United States and to growing frustration with China's unfair trade practices and human-rights record, Germany has taken a somewhat tougher line. Its first Strategy on China, published in 2023, labels the country as a "partner, competitor, and systemic rival."[438] The Merz government is very likely to stick to this line, although it may not go as far as the United States would like.

Germany is also one of a few European countries that has been skeptical of Washington's efforts to contain China. It lagged behind the rest of the European Union in banning Huawei from its telecommunications infrastructure, and it has only instituted a gradual phase-out that will be completed by 2026.[439] Berlin also voted against EU tariffs on Chinese electric vehicles in 2024, largely due to the German car industry's fear of retaliation from one of its largest markets.[440] Despite rising strategic concerns and warnings from industry groups about a

"China shock"—for example, from the Federation of German Industries and the Association of German Mechanical and Plant Engineering—Germany's deep economic integration with the Chinese market will make it reluctant to pursue policies that could significantly curtail ties.

Germany's new coalition agreement, signed in April 2025 by Merz's Christian Democrats and the center-left Social Democrats, pledges a revision of the country's China strategy with a focus on "de-risking."[441] The agreement calls for the formation of an expert commission in the Bundestag to assess dependencies and vulnerabilities in Germany's economic relations with China and to recommend specific de-risking measures.[442] This process could provide an opportunity for the government to reorient ties to Beijing. Nevertheless, the coalition agreement also calls for a relaxation of export restrictions—a sign that Germany is still not entirely aligned with Washington on China strategy.[443]

Risk of U.S. Entanglement Due to the Alliance with Germany

The risk that the United States would find itself entangled in a war in which it has only limited interests on account of its alliance with Germany is very low. As with the other European allies in this study, the alliance could marginally increase the tendency for the United States to exaggerate the importance of Ukraine and thus slightly increase the risk of an unnecessary war with Russia, but the risk is nominal.

Germany's Ability to Reinforce Semiconductor Manufacturing Supply Chains

Germany is a very important ally for the United States when it comes to friendshoring semiconductor supply chains. It produces several key input materials for semiconductors. Through German company Wacker Chemie AG, it is estimated to produce a third of the world's high-purity silicon (polysilicon) used in semiconductors.[444] Leading German chemical companies such as BASF and Merck KGaA also supply high-purity chemicals required for advanced chip fabrication processes, such as semiconductor-grade sulfuric acid.[445] German companies also produce highly specialized parts for advanced manufacturing equipment for semiconductors. Trumpf and Zeiss, for instance, provide EUV-light-generating lasers and optical lenses for the Dutch Advanced Semiconductor Materials Lithography's production of lithography machines.[446] Lastly, German companies are key suppliers of gas supplies and photomask cleaners for high-end chips, and Germany also has some OSAT capabilities for assembly and testing for its semiconductor industry.[447]

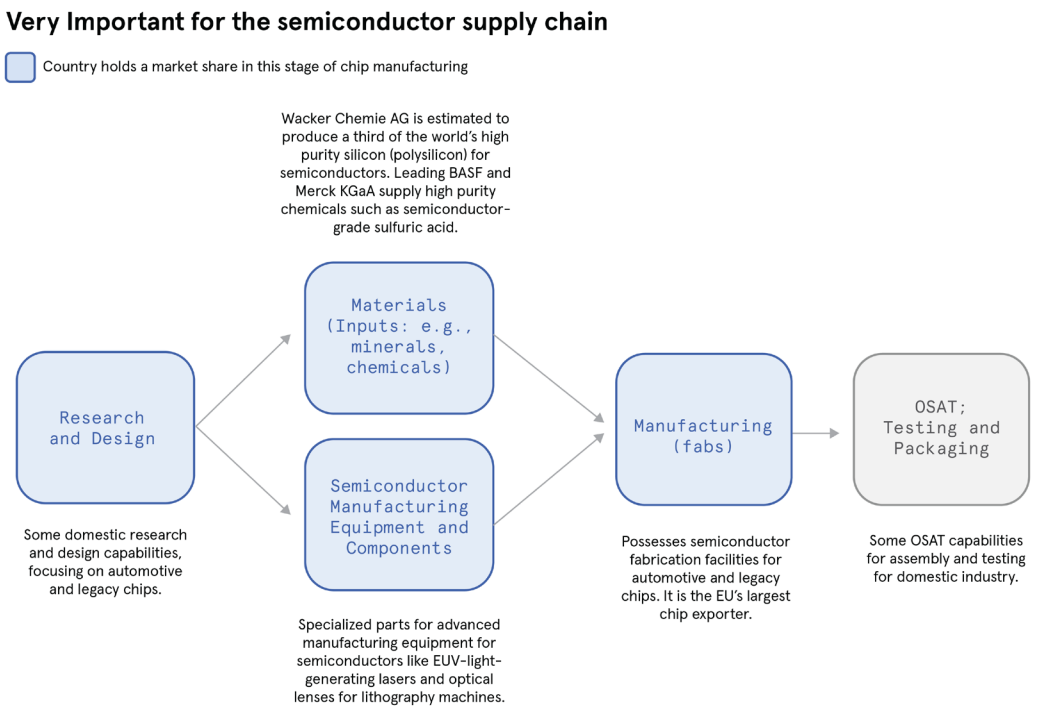
Germany possesses some semiconductor fabrication facilities, typically producing automotive and legacy chips, which are important for diversification but less so than advanced chips. It is the European Union's largest chip exporter, with about a third of its exports, and it leads in automotive semiconductors with a 32 percent share of the global automotive

microcontroller market in 2024.[448] It has attracted some foreign investments in advanced and legacy chips, making it poised to emerge as a production hub. Germany has provided state aid for a joint project between Taiwan Semiconductor Manufacturing Company and three European companies for building an $11 billion plant—the Taiwanese company's first in Europe, which will start producing legacy chips in 2027.[449] Intel had planned to build a fabrication plant in Germany to produce 1.5 nanometer chips, the most advanced in the world, but the project was delayed indefinitely amid the company's struggles.[450]

Germany is somewhat likely to continue to support the United States' goal of friendshoring semiconductor production, even if it has resisted other U.S. efforts to reduce its dependency on China.[451] In 2023, there was internal discussion of restricting exports of semiconductors-related chemicals to China, but so far Germany continues to export such chemicals to China.[452] Germany did mobilize over $50 billion as a part of the European Chips Act subsidy program including for four major projects by Intel, Infineon, ZF/Wolfspeed, and the TSMC consortium, but the funding was overwhelmed by applications, raising concerns among industry leaders about excessive bureaucratic hurdles.[453] Despite these challenges, Germany's will to continue working with the United States and its allies on reinforcing semiconductors manufacturing supply chains is likely to persist.

FIGURE 19

Germany is Very Important for Semiconductor Supply Chain Capabilities



Germany's Ability to Increase Critical Minerals Supply Chain Resiliency

Germany is somewhat important for U.S. critical mineral interests, particularly for the global production of advanced semiconductors and batteries, but less important for magnets or minerals for arms. As noted earlier, Wacker Chemie AG is a leading producer of polysilicon, and Germany is estimated to produce a third of global polysilicon suitable for semiconductors.[454] Germany's lithium deposits at Zinnwald are estimated to be among the largest in Europe and it has some refining capabilities.[455] Germany also produces some natural and synthetic graphite at commercial scale.[456]

The federal government has made it clear that it sees critical minerals security as a high-priority task and will aim to reduce dependence on China in this area.[457]

Germany's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

Germany is a leader in chip intellectual property (IP) and design, making it an important ally to the United States when it comes to preventing the unintentional dissemination of sensitive technologies to China. Germany owns a large share of chip IP and chip manufacturing materials and will be key in preventing non-American advanced chip IP from reaching China. Siemens, through its subsidiary Mentor Graphics, is one of four firms that own over 95 percent of chip-design software.[458] If China were to gain inroads in Germany's chip IP and design industry, it might gain a considerable edge in technological competition with the United States. Germany also has a leading quantum research industry and is third in quantum research output globally after the United States and China.[459] German research institutions collaborate with U.S. and Chinese institutions on quantum.[460]

Germany is only somewhat likely to cooperate with the United States on restricting China's access to advanced technology. The interconnectedness of the two countries' automotive markets make German chipmakers especially vulnerable to Chinese retaliation.[461] This "secondary exposure" to China has caused German chip companies to evade U.S. restrictions or to deepen their dependence on Chinese markets, as in SÜSS MicroTec's decision to reduce the number of its U.S. suppliers to avoid U.S. export controls as well as to move its California plant to Taiwan to better serve its Asian customers.[462]

Germany's Ability to Restrict FDI in China's Technology Sector

Germany is a somewhat important ally when it comes to U.S. efforts to restrict FDI into China's technology sector. It was the eighth-largest sovereign source of FDI in China in 2024, with $1.92 billion.[463] From 2016 to 2023, it accounted for an annual average of 58 percent of EU FDI in China, and German FDI there increased by 18.1 percent in the first half of 2024.[464] These investments are largely from Germany's automotive and chemicals industries.

German firms are somewhat unlikely to significantly curtail investments in China's technology sector. Germany does not currently have a national security screening regime for outbound FDI. When the German Chamber of Commerce in China surveyed German businesses in 2024, the majority said they were planning to increase their investments in the country through 2026.[465] As noted, Germany opposed the EU's introduction of tariffs on Chinese electric vehicles, due to fears of retaliation against its carmakers.[466] It does restrict Chinese FDI into its technologically sensitive sectors, however. For example, Berlin has blocked the acquisition by a Chinese state-owned firm of a Volkswagen subsidiary and has de facto banned mobile network operators from using critical components from Chinese suppliers.[467]

German Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

Germany has little to offer militarily in the Indo-Pacific. Most of its defense collaboration occurs through NATO, with Berlin primarily assisting Washington in missions in Europe and the Middle East.[468] In 2024, Germany transited two navy ships through the Taiwan Strait to reaffirm the latter's status as international waters. It has also permanently stationed a liaison officer at the U.S. Indo-Pacific Command in Hawaii to coordinate logistics, a move with potential for the coordination of assistance regarding Taiwan.[469] Germany has no permanent military bases or stationed forces in the Indo-Pacific, and aside from some strategic naval transits, its military is not active in the region.

Ultimately Germany is limited by its distance from the region and minimal military presence. Like other European allies, however, Germany would probably support severe sanctions in the event that China were viewed as the perpetrator of a conflict over Taiwan.

Germany's Ability to Co-Develop Military Technology and Weapons Systems with the United States

Germany is a somewhat important ally to the United States regarding military technology. Notable partnerships include the one between Northrop Grumman and Germany's Diehl Defence to integrate air-defense systems and the annual U.S.-Germany Operational Research Exchange.[470] Moreover, the first Patriot missile facility outside of the United States is being constructed in southern Germany, and it will supply upward of 1,000 Patriots for NATO allies.[471] Recognizing the benefits it gets from doing so, Germany is likely to continue working with the United States to co-develop military technology.[472] With major defense spending planned, it is reasonable to expect that Germany may further deepen its cooperation with the United States in this area.

Germany's Ability to Support the United States to Shape the Future of Global Governance

Germany is a somewhat important ally for the United to counter China in international organizations and to uphold global governance. It is a member of several multilateral institutions, such as the G7 and NATO, alongside the United States, and it also contests China's dumping measures in the World Trade Organization.[473] In line with the United States, Germany has also delivered statements condemning China's human rights abuses in the UN Human Rights Council.[474] However, its importance at the UN is limited by the fact that it is not a permanent member of the Security Council. Germany also has a substantial presence in the Indo-Pacific. Germany is a member of the Asian Infrastructure Investment Bank and the Asian Development Bank, where it is ranks fourth and tenth in voting power respectively. Germany has also been a Development Partner to ASEAN since 2017 and works with the organization under the ASEAN-Germany Development Partnership Committee.[475]

Germany has a record of supporting U.S. goals in international organizations but will likely shift to a more distinct stance under the Merz government. In 2023, Germany aligned with the United States in 72 percent of UN General Assembly votes. Ranking twenty-eighth among UN members, it is not as aligned overall with the United States as other allies such as Australia and the United Kingdom. It also had much less alignment with the United States on Israel-related votes, at 25 percent, but this was also the case for other U.S. allies.[476] Chancellor Merz has since pivoted away from close alignment with the United States, however, stating his intent to strengthen Europe and reduce its dependence on Washington to "achieve real independence from the USA."[477]

Estimation of German Influence in the Global South

Germany is a very important ally for the United States when it comes to influence in the Global South. It was the second-largest provider of development assistance in the world in 2024, sending $32.4 billion abroad.[478] Of its 2023 bilateral official development assistance, Berlin allocated $5.7 billion to African countries, $3.9 billion to Asian countries, and $2.8 billion to the Middle East. Berlin is also a key player in the EU's Global Gateway, a $317 billion initiative for investing in high-quality infrastructure in the Global South to counter China's Belt and Road Initiative.[479] For example, under Global Gateway, Germany leads the Regional Railway Surabaya project in Indonesia and jointly funds the ASEAN Catalytic Green Finance Facility to support infrastructure projects in Southeast Asia.[480] Through its development finance institution, the Deutsche Investitions- und Entwicklungsgesellschaft (DEG), it supports private sector investments in developing and emerging markets. The DEG, owned by Germany's state-owned development bank, is a significant player in development finance overseas.

As in other cases, however, cuts are coming. In June 2025, the German government announced cuts to its development budget.[481] Polling indicates that German public support for development aid is also declining.[482] Nonetheless, Germany's involvement in the EU's Global Gateway initiative—which focuses on long-term infrastructure and development in the Global South—signals a sustained commitment to countering China's influence.

What the Future Holds

Tensions with the Trump administration are leading traditionally pro-U.S. German elites, including in the new government, to rethink their view of transatlantic ties.[483] There is growing recognition that Germany must prepare for a reduced U.S. role in Europe's security. Germany nevertheless remains far more vulnerable to a breakdown in U.S.-Germany relations than does the United States, given its deep reliance on America for its security and its export-driven economy. Germany is under pressure from multiple angles, including the need to invest in security, the loss of inexpensive energy from Russia, and fractured domestic politics. For the next few years, therefore, China will continue to exercise a major draw for German industry as a base for operations across Asia. These economic ties will not foreclose cooperation with the United States on China but will impede efforts by Washington to steer Germany and Europe toward a tougher line with Beijing. Longer term, however, a challenging environment for foreign business in China and its support to Russia could create conditions for closer U.S.-German cooperation on key areas of strategic competition.[484]

United Kingdom

The United Kingdom is one of America's closest and most capable allies, even if their relationship is no longer as "special" as it once was. The intelligence relationship is the deepest in the world, it is a key NATO ally and has become reengaged in Asia in recent years through the AUKUS defense partnership with Australia and the United States. When it comes to U.S. strategic objectives with China, the United Kingdom's influence in international organizations and its well-established capacity to contribute to the co-development of relevant military technologies make it a valuable ally. It is much less important in other fields, however, including military operations in the Indo-Pacific. Ultimately, London's main priority is preserving stability in Europe. UK leaders will balance the economic interests in strong ties with China with pressure from Washington to do more to challenge China's rising power.

United Kingdom

Global GDP Ranking

6th $3.84 trillion USD

Per Capita Income

$54,950 USD

Population

69,868,000

Geographic Size

94,061 square miles

Sources: International Monetary Fund. "World Economic Outlook (April 2025)," Accessed May 7, 2025. https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; "United Kingdom and the IMF." Accessed May 9, 2025. https://www.imf.org/en/Countries/GBR; Central Intelligence Agency, World Fact Book, United Kingdom, https://www.cia.gov/the-world-factbook/countries/united-kingdom/factsheets/.

TABLE 8

United Kingdom Summary Chart

Categories	How important is this country in achieving this objective?	How likely is this country to help?
Reinforce Semiconductor Manufacturing Supply Chains	Not important	N/A
Increase Critical Minerals Supply Chain Resiliency	Somewhat important	Somewhat likely
Prevent Unwanted Dissemination of Advanced Technology to China	Somewhat important	Somewhat likely
Restrict Foreign Direct Investment (FDI) in China's Technology Sector	Not important	N/A
Provide Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan	Not important	N/A
Co-Develop Military Technology and Weapons Systems with the United States	Very important	Very likely
Support the United States to Shape the Future of Global Governance	Very important	Very likely
Combat China's Influence in the Global South	Very important	Somewhat likely

Recent Trends in UK Relations with the United States

The United States and the United Kingdom have one of the longest-standing alliances in the world. Their "special relationship" has deep roots and has endured for decades. London has long supported U.S. initiatives within NATO and different international organizations, and the two countries' intelligence communities cooperate more deeply than any others in history. The United Kingdom also relies on the United States for its nuclear technology. Its departure from the EU in 2021 (Brexit) has made it less important to Washington as a bridge to Europe. Prime Minister Keir Starmer and Trump have a good working relationship and recently announced a trade deal to reduce tariffs on UK car and steel exports to the United States.[485]

Despite good leader-leader relations, the evidence is that British public trust in the United States has declined sharply since Trump's return to office. A July 2025 poll by the British Foreign Policy Group found trust in the United States fell from 53 percent to just 38 percent, with more Britons now distrusting than trusting America to act responsibly in the world. Strikingly, Trump's actions were more widely seen as a threat to UK national security than terrorism or the rise of China. [486]

Strikingly, Trump's actions were more widely seen as a threat to UK national security than terrorism or the rise of China.

Brexit ushered in an era in which British foreign policy was recast with a global outlook, as successive Conservative governments promised a strategic pivot to the Indo-Pacific and a tougher stance with Beijing. For example, in 2021, then prime minister Boris Johnson's government unveiled its "Global Britain" strategy, positioning the Indo-Pacific as a key arena for engagement.[487] That same year, the United Kingdom deployed its carrier strike group to the region for the first time. In 2023, Rishi Sunak's government characterized China as "an epoch-defining and systemic challenge."[488] Despite rhetorical ambition and symbolic gestures, London has struggled to translate "Global Britain" into a coherent, sustained strategy, much less find the resources for it.

Recent Trends in UK Relations with China

The Labour Party government in office since 2024 has adopted a warmer approach to China than its post-Brexit Conservative predecessors. Historically, China-friendly policies have been more closely associated with the Conservative Party than with Labour, but the current effort to forge closer ties with Beijing underscores that this strategic inclination is not confined by party lines. In November 2024, Starmer met with China's Xi, the first leader-level meeting between the two countries in six years.[489] The government's reset with

China will be difficult, however, to align with the new trade deal with the United States, which requires the United Kingdom to limit Chinese components and ownership in the production of some goods, which has peeved Beijing.[490] London will also continue to align with Washington on stability in the Indo-Pacific and could boost its military presence there.[491]

Risk of U.S. Entanglement Due to the Alliance with the United Kingdom

The risk that the United States would find itself entangled in a war in which it has only limited interests on account of its alliance with the UK is very low. As with the other European allies in this study, the alliance could marginally increase the tendency for the United States to exaggerate the importance of Ukraine and thus slightly increase the risk of an unnecessary war with Russia, but the risk is nominal.

The United Kingdom's Ability to Reinforce Semiconductor Manufacturing Supply Chains

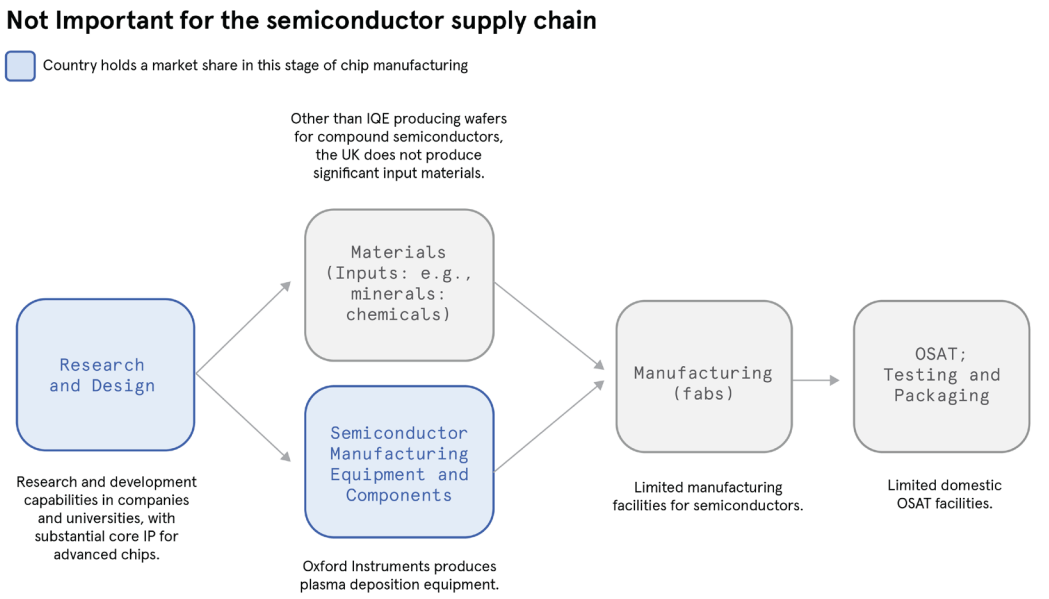
The United Kingdom is not currently an important ally for the United States in friendshoring semiconductor manufacturing supply chains. The UK produces some input materials and equipment including Oxford Instruments, a leader in producing plasma deposition equipment, and IQE which makes wafers and substrates for compound semiconductors.[492] The UK is home to only a handful of semiconductor fabrication and OSAT testing and packaging facilities, such as the Vishay Newport Wafer Fab, focused on automotive chips, which account for between 1 and 1.5 percent of the global market.[493] (The country does play a significant role in core intellectual property (IP) for advanced chips, as discussed later in this case study.) Overall, the United Kingdom has little to offer the United States that would help it shift the production of legacy and leading-edge chips away from China.

The United Kingdom's Ability to Increase Critical Minerals Supply Chain Resiliency

The United Kingdom is somewhat important to U.S. critical mineral interests, as it has the potential to help the United States diversify supply chains for platinum and tungsten mining. While it does not mine many critical minerals, the UK has substantial refining capacity for platinum.[494] Furthermore, its tungsten deposit at Hemerdon, one of the largest in the word, could supply significant volumes of tungsten for key defense applications, but this would require investment from the private sector and support from the UK government.[495] Recognizing its vulnerability in critical minerals, successive governments have been committed to participating in "friendshoring" efforts through multilateral and bilateral initiatives, including the 2022 Minerals Security Partnership.[496]

FIGURE 20

The United Kingdom is Not Important in Semiconductor Supply Chain Capabilities



The United Kingdom's Ability to Prevent Unwanted Dissemination of Advanced Technology to China

The United Kingdom is a somewhat important ally for the United States in the effort to prevent the unintentional dissemination of sensitive technologies to China. Although the UK lacks significant domestic chip manufacturing, it is a leader in semiconductors IP.[497] In 2022, British company ARM held around 40 percent of the core IP market.[498] The United Kingdom is also at the forefront of AI innovation, ranking third in Stanford University's 2024 AI Index, behind the United States and China.[499] It is a leader in quantum computing, pioneering novel applications in critical infrastructure, national security, and defense.[500] If the United Kingdom were to allow China access to these technologies, this would significantly boost China's position in the race for advanced technology.

London has shown some willingness to curtail China's access to technology, but its approach is notably less assertive than Washington's. For example, it has forced Chinese-owned Nexperia to sell its shares in the country's largest semiconductor fabrication facility, but it was very reluctant to remove Huawei from its 5G mobile networks.[501] The government is seeking Chinese investment in key growth sectors, and thus may be willing to clear transactions that fall under the scope of the National Security and Investment Act.[502] Hesitancy to take a hardline approach to this challenge could clash with U.S. policy goals and Washington will likely continue pushing London to limit China's access.

The United Kingdom's Ability to Restrict Foreign Direct Investment (FDI) in China's Technology Sector

The United Kingdom is a very important ally when it comes to U.S. efforts to restrict FDI into China's technology sector. In 2024, the UK was the fifth-largest sovereign source of FDI into China at $3.41 billion.[503] While significant, the UK's total FDI stock at around $12 billion was small compared to the United States' $126 billion.[504] UK investment in China is concentrated in renewables, electric vehicles, pharmaceuticals, healthcare, and retail.[505] In 2024, the government assessed that "a very small proportion" of FDI in China could present national security risks, but that the evidence was limited.[506]

The UK National Security and Investment Act (NSIA) is designed to address these risks, enabling government scrutiny of foreign takeovers and of some outbound investments in sensitive sectors.[507] It is less restrictive than the United States' screening framework, however, with a narrower scope and less expansive powers.[508] Still, in the most sensitive sectors, and especially in advanced technology, the United Kingdom will continue to screen. London's commitment to ensuring supply-chain security for certain sectors in exchange for U.S. tariff relief indicates that it is willing to forgo some economic ties with China for improved trade with the United States.[509]

UK Basing, Logistics, and Strike Capabilities in Case of a Conflict Over Taiwan

As a member of AUKUS, NATO, and Five-Eyes, the United Kingdom is tightly linked to the United States and its network of allies when it comes to defense. In a Taiwan conflict, it would almost certainly support Washington militarily, but its contribution would be of limited strategic value due to its limited in-theater basing and capabilities. The main role would be in enhancing deterrence in Europe itself, and providing certain types of intelligence.

The largest British force in the Indo-Pacific is based in Brunei, far removed from Taiwan. The United Kingdom also has a naval support facility in Singapore that could serve as a refueling station for U.S. and allied vessels sailing through the Malacca Strait, but this would likely have to be approved by Singapore.[510] Diego Garcia in the Chagos Islands, which the United Kingdom leases to the United States, provides the allies with a logistics node at the center of the Indian Ocean.[511] During a conflict, it could be a staging area for reinforcements and it is able to host nuclear-powered attack submarines.[512] London recently transferred sovereignty over the Chagos Islands to Mauritius, a China-friendly nation, but it retains a ninety-nine-year lease on Diego Garcia.[513]

The United Kingdom could offer some naval support to the United States and Taiwan, such as with its aircraft carriers HMS Queen Elizabeth or HMS Prince of Wales, but a recent study concluded that the Royal Navy could only deploy half of a carrier group and one and a half of a destroyer group at a time to an Indo-Pacific conflict.[514] The most valuable assets the United Kingdom could provide are its nuclear-powered attack submarines.[515] While helpful, however, none of these capabilities would be vital to U.S. military operations in a Taiwan crisis.

Considering its track record of supporting U.S. military operations in Afghanistan and Iraq, its economic interest in preventing a Chinese takeover of Taiwan, and its commitment to a "free and open Indo-Pacific," the United Kingdom is very likely to offer support to the United States in a Taiwan conflict.[516] One of its most useful contributions would be to help ensure Europe remains secure in the event of such a crisis. Like other European allies the UK would likely support severe sanctions in the event that China were viewed as the perpetrator of the conflict.

The United Kingdom's Ability to Co-Develop Military Technology and Weapons Systems with the United States

The United Kingdom is a very important ally for the United States when it comes to co-developing military technology and it is very likely to continue to be. Their 1958 Mutual Defense Agreement led to the joint development of the Trident nuclear weapons system and of the Royal Navy's Vanguard-class submarines. It allows the two countries to collaborate on stealth technology, anti-submarine-warfare technology, radar systems, and satellite technology. More recently, their innovation units co-developed military applications of AI.[517] Further collaboration in defense innovation is expected, especially in developing quantum computing's potential in battlespace, deep-space advanced radar capability, and hypersonic and counter-hypersonic capabilities.[518]

The U.S. defense industry is tightly linked with the UK's, particularly in the production of F-35 stealth fighters. The United Kingdom has a significant financial stake in the F-35 Joint Strike Fighter program and, as the only "Level 1" partner, benefits from more advanced technology transfers than other members of the consortium. Approximately 15 percent of the value of each aircraft is produced in the UK.[519]

Pillar Two of AUKUS is poised to strengthen linkages between the defense-innovation bases of Australia, the United Kingdom, and the United States, fostering joint innovation. The U.S. Defense Innovation Board has assessed that AUKUS is perhaps "the most promising institutional framework" for co-developing military technology for the Indo-Pacific.[520]

The United Kingdom's Ability to Support the United States to Shape the Future of Global Governance

One of London's notable strengths as an ally is its influence in international organizations. As a permanent member of the UN Security Council, the United Kingdom has veto power, which it can use to support or block U.S. objectives. In 2023, it was third-most-aligned country with the United States in terms of UN votes, with 95 percent coincidence on Security Council votes (and no use of its veto) and 80 percent coincidence on General Assembly votes.[521] There was much less coincidence with the United States on Israel-related votes (33 percent), but here the United Kingdom was still more closely aligned than other U.S. allies, such as France and Japan.[522]

The United Kingdom is also a leader in global governance and could advance U.S. interests through its initiatives.[523] It leads in AI regulation and safety; for example, it organized the world's first AI Safety Summit in 2023, to which it invited China.[524] It can also advance U.S. positions in organizations the United States is not part of, such as the Association of Southeast Asian Nations (in which it is a Dialogue Partner), the Asian Infrastructure Investment Bank (where it is ranked ninth in voting power), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The UK's active role in international organizations and close alignment with U.S. positions in such groups is likely to continue.

One of London's notable strengths as an ally is its influence in international organizations.

Estimation of UK Influence in the Global South

The United Kingdom's influence in the Global South is considerable, although may be declining. It was the world's third-largest source of overseas development assistance (ODA) in absolute terms with $18 billion in 2024,[525] positioned between the United States' $63 billion and China's $3 billion.[526] The recent Conservative government crafted a strategy to mobilize billions in public and private finance to support sustainable development and to combat China's influence.[527] The UK development-finance institution, British International Investment (BII), made its first Indo-Pacific investment in 2023 to support Asia's energy transition as part of the G7's Partnership for Global Infrastructure and Investment. BII has also worked closely with its U.S. counterpart, the U.S. International Development Finance Corporation (DFC), on joint initiatives.[528] London sends the most aid to Africa and Asia, two regions where China is actively expanding its influence. In 2023, it allocated $1.5 billion in bilateral assistance to countries in Africa and $616.9 million to countries in Asia and $450 million to the Middle East.[529]

When the Trump administration sharply scaled back the United States' overseas development programs, some UK leaders argued that London would have to fill the void, but in February 2025 Starmer announced a reduction in aid to fund increased defense spending.[530] However, Starmer pledged to restore aid when fiscal circumstances allow, and the government will likely still seek to increase British influence in the Global South through private sector financing. The strength of BII and its ongoing projects indicate that London remains somewhat likely to continue cooperating in the Global South.[531]

What the Future Holds

Looking ahead, the extent to which the United Kingdom adopts a tougher stance on China will depend largely on its broader relationship with the United States and the state of its economy. Conservative and Labour governments have sought to build stronger economic relations with Beijing, but the ability to do so is constrained by the country's strategic alignment with Washington. Ultimately, if forced by events to choose, London will not risk seriously jeopardizing relations with its closest ally. A cutoff of trade with China, however, would be even more serious for the UK than for America. As with the other European countries in this report, the UK's approach to China will also be deeply affected by the investment climate there and the depth of China's relationship with Russia. Both factors are trending in a direction that augurs for closer U.S.-UK cooperation on this challenge, even if China will not rise to the level of importance in London equal to that in Washington.

Appendix 1: Evaluative Framework

Introduction

The 2022 U.S. National Security Strategy identifies the People's Republic of China (hereon China) as our "only competitor with both the intent reshape the international order and . . . the economic, diplomatic, military, and technological power to do it."[532] A core tenet of Washington's strategy to compete with China is by aligning our efforts "with our network of allies and partners" to out-compete China in "technological, economic, political, military, intelligence, and global governance domains."

While the United States maintains a broad network of treaty allies and partners and expects them to support its approach to strategic competition with China, Washington's specific expectations—across economic, technological, security, and diplomatic domains—are loosely defined, but can be identified from official statements across both the Biden and Trump administrations. This appendix provides further detail on these expectations in each of the eight categories under evaluation, with a few illustrative examples from primary documents.

Reinforce Critical Goods Supply Chains Through Friendshoring

The United States expects its allies to support its efforts to reinforce its supply chains of critical goods—especially critical minerals and microprocessors—in order to reduce its reliance on supply from China. As Biden's treasury secretary Janet Yellen explained in 2023: "We are also pursuing a strategy called "friendshoring" that is aimed at mitigating vulnerabilities that can lead to supply disruptions. We are creating redundancies in our critical supply chains with the large number of trading partners that we can count on."[533] Similarly, Trump's

current Secretary of State Marco Rubio insisted in his nomination hearing that "We have to make sure that the United States is not reliant on any single other nation for any of our critical supply chains."[534]

Reinforce Semiconductor Manufacturing Supply Chains

Semiconductors are vital to American innovation and national defense, and disruptions in the supply chain have led to serious consequences. For instance, the COVID-19 pandemic triggered a semiconductor shortage that is estimated to have cost the U.S. economy $240 billion in 2021.[535]

Although China entered the market later, it already is a global leader in OSAT, is increasing its global fab and fabless market share, and remains a key supplier for chip manufacturing materials. Meanwhile, the United States represented eight percent of the semiconductor fabrication market in 2024, and building an additional advanced semiconductor fab can cost upwards of $20–$30 billion.[536] The high costs of production and China's exponential rise make cost-sharing and leveraging our allies' existing strengths in advanced and legacy chip production especially important.

To counter China's growing share in the semiconductor market, the United States is working with its allies to maintain their positions within manufacturing supply chains for high-end chips and shift U.S. supplies of legacy chips away from China. The United States expects its allies to expand their capabilities across the global production supply chain for both legacy and leading-edge chips including: research and development, input materials, equipment and components, fabrication facilities and OSAT, and work with U.S. bilateral or multilateral chip initiatives. An ally will be more important for the United States if it possesses the capacity to contribute meaningfully to moving areas of the global supply chain for semiconductors from adversarial to friendly shores.

Increase Critical Minerals Supply Chains Resiliency

Critical minerals underpin key industrial sectors in the United States, such as semiconductors, batteries, magnets, and defense systems manufacturing.[537] China currently dominates the critical minerals market through its control of over 90 percent of global rare earth element (REE) processing and over half of cobalt, nickel, and lithium processing.[538] This is especially dangerous for the United States as almost three-quarters of the United States' critical mineral imports are from China.[539]

In the critical minerals supply chain, the United States needs to diversify its sources of critical minerals and REEs. The United States expects its allies to mine domestic reserves if they possess any, increase allied-owned, high-volume mining production, and increasing processing and refining capabilities.

Limit China's Access to Advanced Technology

Denying China access to advanced U.S. chipmaking and other potential dual-use technologies has been central to U.S. strategic competition with China—although at the time of publication the Trump administration has wavered and could reverse course. According to Biden's National Security Advisor Jake Sullivan, "The United States will continue to take necessary action to prevent advanced U.S. technologies from being used to undermine our national security without unduly limiting trade or investment."[540] Although the U.S. remains in the lead in "force multiplier" fields such as semiconductors, AI, and quantum information systems, China has poured considerable resources into its technology sector and has achieved significant milestones amidst U.S. export restrictions.[541] In general, the United States expects its allies to comply with U.S. advanced technology export controls, restrict partnerships with Chinese institutions, deny Chinese investments into domestic innovation, and shift advanced technology manufacturing out of China.

Restrict FDI into China

Recognizing the potential for Chinese developments in advanced technologies that could be integrated into military applications, the United States has moved to curb investments that would aid China's indigenous technological innovation. This was especially the case in the later years of the Biden administration, which responded to considerable pressure from Republicans on the Hill who wanted to see U.S. venture capital cut off in advanced high-tech sectors, because they feared that it might result in unwanted technology transfer that would advantage China and erode the U.S. competitive edge. The United States thus increasingly expects its allies to restrict Foreign Direct Investment (FDI) supporting Chinese technology firms, research, or joint technology ventures.

Provide Basing, Logistics, and Strike Capabilities for Taiwan

The U.S. military now sees a Taiwan contingency as the pacing scenario for modernizing capabilities, updating force posture, and developing new operational concepts.[542] Allied military capabilities in the Indo-Pacific serve various needs, but as the importance of deterrence across the Taiwan Strait has increased, so has the importance of allied contributions to that challenge. Trump and Biden have accordingly pushed allies to increase their capability to support U.S. cross-strait deterrence.

In a Taiwan scenario, the United States would require sufficient basing, logistics, and strike capabilities, including from allies. With China's natural geographical proximity to Taiwan, the United States is dependent on in-theater basing for timely deployment of military equipment, refueling, and coordinating other logistics. Improving interoperability with allies through joint exercises is especially important to improve resilience against targeting of key

information and command mission areas. The United States thus expects its allies to provide access should the need arise. It also looks to allies to provide logistic support to fill gaps in intelligence collection, electronic countermeasures, intra-theater lift capabilities, facilities for refueling and maintenance and other areas.

Co-Develop Military Technology with the United States

The United States has long looked to allies for cooperative development of certain military technologies—increasingly with China in mind. The Biden administration's National Defense Strategy made this explicit, but the Trump administration has also pursued joint production and development arrangements. Often these arrangements offer considerable benefit to allies, as discussed in the main body of this report, but they can also be crucial to the United States in key areas such as shipbuilding, where the U.S. defense industrial base is constrained—and will remain so for several years.

Actively Participate and Cooperate with the United States within International Organizations and Global Governance

As a leading advocate for an open international system, the United States has played a preeminent role in the development of the world's multilateral institutions.[543] Recognizing the legitimacy conferred within international institutions, China has worked to increase its influence through financial contributions, strategic staffing placements, lobbying existing leadership, and creating alternative international bodies. Accordingly, the United States expects its allies to assist its aims in international organizations through providing funding, supporting U.S. agenda items, and working with the United States on the creation of multilateral bodies. The importance of these institutions, especially in an Asian context, is growing as China's power there increases. Allies are expected to support common aims in ensuring that the institutions serve their functions as forums for peaceful international diplomacy, commerce, and other common needs.

Estimation of Influence in the Global South

In 2018, Trump's first term vice president Michael Pence noted that he was "pleased to report that we're streamlining international development and finance programs. We'll be giving foreign nations a just and transparent alternative to China's debt-trap diplomacy."[544] As discussed at other points in this report, the question of influence is challenging. Among the factors examined herein, the importance of Global South influence to the United States' China strategy is probably the most debated. We have included this category nevertheless on the grounds that to omit it would risk missing an important piece of the picture of U.S.-China competition.

Appendix 2: FDI Screening Regimes

Ally	Inbound FDI Screening	Outbound FDI Screening
Australia	Yes	No
Japan	Yes	Limited
The Philippines	Yes	No
South Korea	Yes	Yes
France	Yes	No
Germany	Yes	No
United Kingdom	Yes	Yes
European Union	Yes	Limited

Key

Yes	Screening regime in place in this country
Limited	This country has limited outbound screening or is planning a screening regime
No	This country has no regime in place and limited or no plans to implement one

Ally	Inbound FDI Screening	Outbound FDI Screening
Australia	Australia's Foreign Acquisitions and Takeovers Act 1975, which requires foreign investors to notify the Treasurer of proposed investments that meet certain thresholds. The Treasurer has the authority to review and approve, impose conditions on, or prohibit transactions if they are found to be contrary to the national interest or national security.[545]	Australia does not currently have a developed national security screening regime for outbound foreign direct investments. The 2024 Defence Trade Controls Amendment Act and the Defence Trade Legislation Amendment Regulations focuses on increasing export controls on "goods and technologies," but not FDI. [546]
Japan	As of 2025, Japan has significantly tightened its FDI screening under the Foreign Exchange and Foreign Trade Act (FEFTA). Foreign investors are required to notify and, in many cases, obtain prior approval for investments in certain sensitive sectors, especially those related to national security and critical technology, including semiconductors, storage batteries, natural gas, metal 3D printers, machine tools and robots, fertilizers, permanent magnets, marine equipment, and metal and mineral products. [547]	Japan has a very limited outbound FDI screening regime that requires prior notification for individuals or firms involved in weapons, narcotics or leather goods.[548] There has been no public discussion or legislation that would increase notification, reviews or the list of screened sectors.
Phillippines	The Philippines has an inbound FDI screening mechanism through the Amended Public Service Act and Republic Act No. 11647, which empowers the president of the Philippines to suspend or prohibit foreign investments in certain "public services" such as domestic shipping, railways, airlines, power, water, oil, and telecommunications, as well as in "strategic industries" like defense, cyber infrastructure, and pipelines. [549]	The Philippines does not have an outbound FDI screening, and there has been no public discussion on legislation to do so.
South Korea	South Korea's Foreign Investment Promotion Act (FIPA) screens inbound investments in National "High-Tech Strategic Technologies." Foreign investors must notify or seek approval for investments, especially if they involve the acquisition of control or significant shareholdings (e.g., 50 percent or more) in companies with national core technologies, including those supported by government R&D. The government can review investments deemed of potential national security risk. [550]	South Korea has an outbound investment screening mechanism through Act on Prevention of Divulgence and Protection of Industrial Technology (APDPIT). This act authorizes the Industrial Technology Protection Committee (ITPC) to block outbound investments under the "national core technology" list, or technologies developed using government research or funding. [551]

France	France is among the least restrictive countries for foreign investment. With a few exceptions in certain specified sectors, there are no statutory limits on foreign ownership of companies. [552] France screens inbound FDI in sensitive sectors include those linked to national defense, critical infrastructure (energy, transport, water, communications), security services, research and development in critical technologies (such as cybersecurity, AI, semiconductors, biotechnologies). It applies if three conditions are met: the investor qualifies as foreign, the investment involves acquiring control or at least 10 percent of a French entity's share capital (for listed companies), and the target entity operates in sensitive activities or sectors. The screening process has two phases: an initial month-long review and, if needed, a more detailed review lasting up to forty-five additional business days.[553]	France does not have an outbound FDI screening regime and as of writing appears to have no domestic plans to implement one.
Germany	Germany's Foreign Trade and Payments Law (Außenwirtschaftsgesetz) and the Foreign Trade and Payments Ordinance (AWV) includes a sector-specific screening for acquisitions in defense and IT security sectors, and a broader cross-sector screening for other sectors. Foreign investors acquiring control of at least 10 percent in companies active in defense or IT security must notify the Federal Ministry for Economic Affairs and Climate Action (BMWK) for review. For other sectors, non-EU/EEA investors acquiring at least 25 percent voting rights can be screened. [554]	Germany does not have an outbound FDI screening regime, and the government has not publicly discussed plans to implement one. There has been some speculation that outbound FDI screening could be a part of a forthcoming new German Investment Control Act (ICA) (Investitionsprüfgesetz) that adopts the nonbinding EU recommendations, but no concrete legislation has been enacted. [555]
United Kingdom	The National Security and Investment Act 2021 (NSIA) applies to both UK and foreign investors, with mandatory notification required for acquisitions in 17 sensitive sectors (e.g., defense, AI, critical technologies), requiring government approval before completion. The government can "call in" transactions for review up to five years after completion, or six months if the transaction is already known to authorities. [556]	NSIA also applies to outbound investments by UK persons if the acquisition involves a foreign entity or asset that has a relevant UK connection. This includes situations where the acquired foreign entity carries on activities in the UK or supplies goods or services to the UK, or where the acquired asset outside the UK is used in connection with activities or supply in the UK. [557]

	The EU's FDI Screening Regulation (Regulation (EU) 2019/452) requires member states to establish screening mechanisms for foreign investments affecting security or public order into the EU. [558]	The European Union does not currently have a formal, mandatory outbound FDI screening regime. However, the EU is actively exploring future outbound controls across member states.
European Union	A major reform was adopted by the European Parliament in May 2025 to harmonize and expand national screening regimes by which mandatory for all EU member states to have FDI screening mechanisms in place with a harmonized minimum set of sensitive sectors subject to mandatory filing and clearance.[559]	In January 2025, the European Commission issued a nonbinding Recommendation (EU 2025/63) advising EU Member States to review and monitor outbound investments by EU-based companies into third countries, specifically focusing on sensitive technology sectors such as semiconductors, artificial intelligence, and quantum technologies. The Recommendation asks Member States to gather information on outbound investments made from January 2021 to June 2026, covering acquisitions, mergers, greenfield investments, joint ventures, venture capital, and transfers of certain tangible and intangible assets including intellectual property.[560]

Appendix 3: Critical Minerals Assessment Framework

Batteries

The production of advanced battery technologies for electrical vehicles, grid storage, drones, consumer electronics and tactical electronics require the following critical minerals:[561]

- **Lithium (Li)**: acts as the charge carrier that moves between the anode and cathode during charging and discharging.
- **Graphite (Gr)**: serves as the anode (negative electrode) material in lithium-ion batteries.
- **Cobalt (Co)**: used in the cathode (positive electrode) of many lithium-ion batteries, especially in nickel-manganese-cobalt (NMC) and lithium-cobalt oxide (LCO) chemistries[562]
- **Manganese Sulfate ($MnSO_4$)**: a cathode component, commonly used in combination with nickel and cobalt in NMC batteries.
- **Nickel Sulfate ($NiSO_4(H_2O)_6$)**: cathode material, especially in NMC and NCA (nickel-cobalt-aluminum) batteries.[563]

Magnets

Rare earth permanent magnets are used across a wide variety of arms, including fighter aircraft and missile guidance systems, and for electric vehicles and offshore wind turbines.[564] Critical minerals used in production include:

- **Neodymium (Nd)**: core component in neodymium magnets (NdFeB), the strongest commercially available permanent magnets, used in electric vehicle motors, wind turbines, electronics for their compact size and performance.[565]

- **Praseodymium (Pr)**: used as a partial substitute for neodymium in NdFeB magnets to reduce costs and avoid the need for separation, while maintaining similar magnetic properties.[566]

- **Dysprosium (Dy):** used as an additive to improve neodymium-iron-boron (neo) resistance to demagnetization and high temperature performance.[567]

- **Samarium (Sm)**: sssential element in samarium-cobalt (SmCo) magnets for thermal stability and corrosion resistance, such as aerospace, military, and high-speed motors.[568]

- **Cobalt (Co)**: key alloying element in both samarium-cobalt magnets and, in smaller amounts, as an additive in neodymium magnets.[569]

Advanced Semiconductors (Chips)

While many critical minerals are used in the production of silicon-based semiconductors, we have chosen the four below which have been assessed to be important for industrial production, have no readily available substitutes, and the U.S. supply is reliant on imports from foreign adversaries.[570]

- **Gallium (Ga)**: used for high performance compound semiconductors, especially gallium arsenide (GaAs) and gallium nitride (GaN).[571]

- **Germanium (Ge)**: used for high-speed transistors in computer processors, infrared detectors, communication systems, and radar systems requiring a high electron mobility material. Also used for fiber-optic cables.

- **Palladium (Pd)**: used for plating in connectors and contacts due to its excellent conductivity and resistance to corrosion.[572]

- **Silicon (Si)**: primary element in semiconductors.

Arms Production

The U.S. defense industrial base relies on a wide range of critical minerals to sustain arms production. We have focused on the five below due to U.S. dependence on foreign sources or being designated by NATO as being of key importance.[573]

- **Yttrium (Y)**: used for stabilized ceramics in aircraft engines, radar systems and high-strength alloys.[574]
- **Tantalum (Ta)**: fighter aircraft engines, missiles, artillery, armor piercing munitions
- **Beryllium (Be)**: satellite optics, targeting sensors, inertial navigation, gyroscopes, and missile seekers due to their stiffness, light weight, and heat conductivity.[575]
- **Tungsten (W)**: kinetic penetrators, missile stabilization systems, drone-dropped munitions, and hypersonic systems.[576]
- **Titanium (Ti):** wide-ranging applications including aerospace structures, body and vehicle armor, and missiles.
- **Antimony (Sb):** used in munitions, electronics, and military-grade batteries.
- **Platinum (Pt)**: used in electronics, sensors, and catalysts.

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