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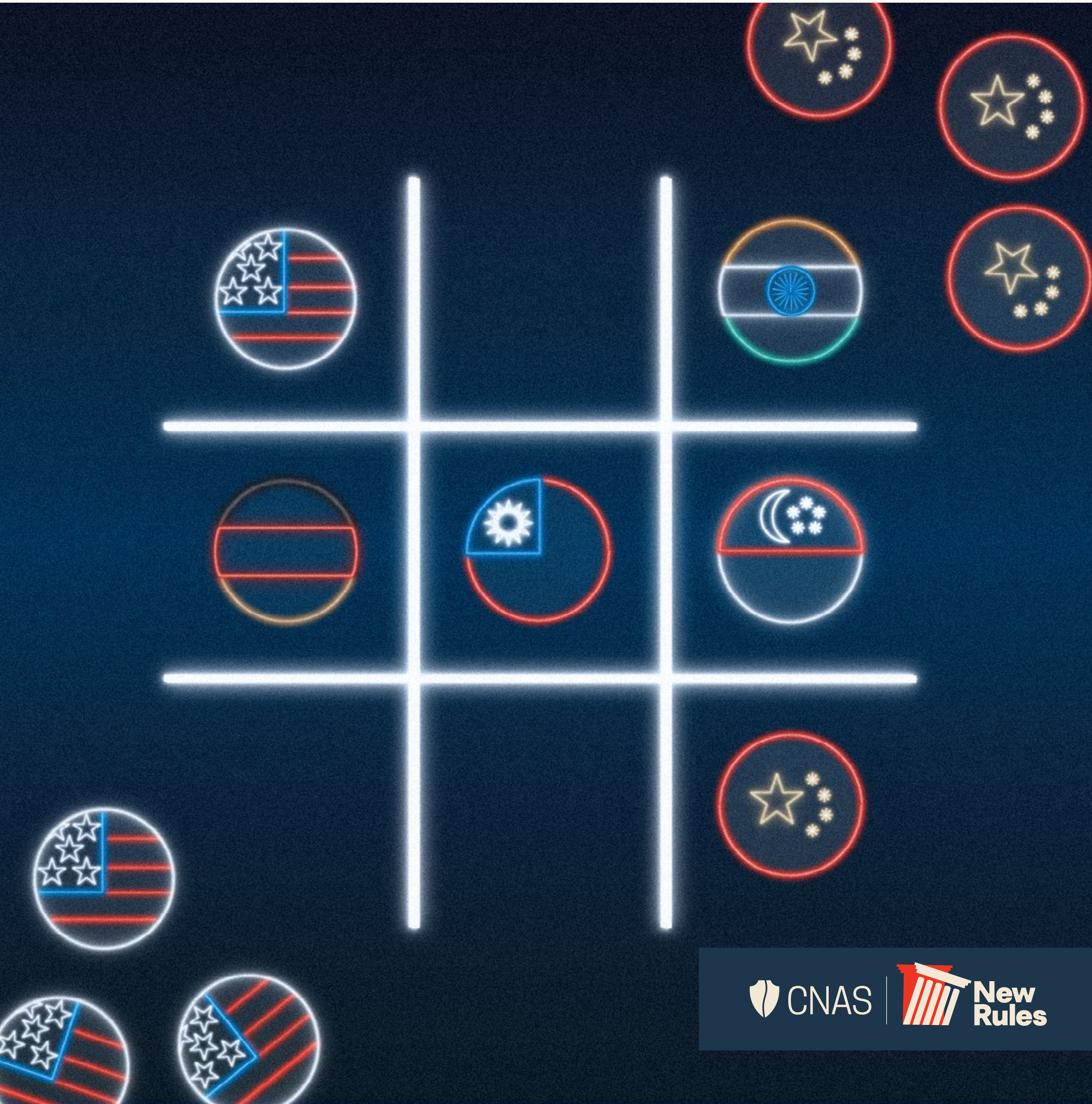
Whither the Coalition?

Assessing the Prospects of a Diverse Sanctions Coalition in Defense of Taiwan

Emily Kilcrease and James Crabtree



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About the Authors

Emily Kilcrease is a senior fellow and director of the Energy, Economics, and Security Program at the Center for a New American Security (CNAS). Her research focuses on the U.S.-China economic relationship; alignment of national security objectives and economic policy; and the use of coercive economic statecraft. Previously, she served as the deputy assistant U.S. trade representative for investment and held positions related to economics and national security at the National Security Council and the Department of Commerce.

James Crabtree is a London-based geopolitical analyst and author with extensive experience working in Asia. He is an adjunct senior fellow with CNAS, a distinguished visiting fellow in the Asia program of the European Council on Foreign Relations in Berlin, a nonresident distinguished fellow at the Asia Society in New York, and a columnist for *Foreign Policy* magazine. Crabtree was previously the Singapore-based head of the International Institute for Strategic Studies Asia, where he organized the Shangri-La Dialogue defense summit, and an associate professor at the Lee Kuan Yew School of Public Policy. He is writing his second book, *The Perimeter: The Struggle for Supremacy in the Pacific,* due to be published in 2027 by W. W. Norton & Company. His first book, *The Billionaire Raj: A Journey Through India's New Gilded Age,* was shortlisted for the FT/McKinsey business book of the year.

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Executive Summary

THE FUTURE OF TAIWAN, a self-governing island democracy that is claimed by the People's Republic of China (PRC), remains one of the most complex and fraught issues in U.S. foreign policy. Official U.S. policy has long been based on support for peace and stability across the Taiwan Strait and opposition to any unilateral changes to the status quo, paired with a posture of "strategic ambiguity" that does not specify whether the United States would intervene militarily to defend Taiwan. The PRC's growing military capabilities and political emphasis on "reunification" between Taiwan and mainland China has raised fears in Washington about the possibility of a clash over Taiwan, should current PRC aggression toward the island continue to intensify.

The ambiguity around the potential use of U.S. military force in defense of Taiwan raises a natural question of whether the United States would use economic tools, such as sanctions, as either a complement to or—should the United States decide not to intervene militarily—a substitute for U.S. military force in the event of a Taiwan contingency. Deploying sanctions against China as part of a broader strategy to deter or respond to increased PRC aggression against Taiwan would be fiendishly complicated. China's unique role in the global economy means it is one of the few countries in the world that could withstand and counter substantial U.S. sanctions. Yet it is hard to imagine a U.S. strategy that does not include a strong sanctions component. U.S. policymakers would almost certainly look to economic pressure tools to increase the costs imposed on the PRC, should it act against Taiwan. To maximize the impact of an economic pressure campaign, the United States would have to build a broad and diverse coalition, including countries that are traditional U.S. allies and those that have not historically aligned with U.S. sanctions but could play a valuable role in a Taiwan contingency.

To advance a more nuanced consideration of what a potential sanctions coalition in support of Taiwan could look like, this report examines three key countries (Singapore, India, and Germany) that could be critical partners but whose cooperation is far from guaranteed. Each country's geopolitical context will determine whether they have the desire to join a sanctions coalition. The structure of their economic ties will determine whether they have economic weapons to contribute, as well as how much autonomy they have to take actions that could prompt PRC retaliation. Their institutional capacity will determine whether they could effectively enforce sanctions. In combination, these geopolitical, economic, and institutional factors shape how the United States could think of engaging each of these countries in an economic pressure campaign against the PRC in a potential crisis over Taiwan.

To maximize the impact of an economic pressure campaign, the United States would have to build a broad and diverse coalition.

Terminology Notes

The economic domain refers to the economic aspects of a crisis or conflict with China, with the assumption that other domains (e.g., political, cyber, military) may also be implicated in the crisis or conflict. The economic domain includes the trade, investment, and financial ties between two or more countries, which can be targeted to impede or enhance economic activity between them.

"The People's Republic of China (PRC)" refers to the Chinese state. "The party" refers to the Chinese Communist Party (CCP). "China" refers to the entire country, inclusive of nongovernment and nonparty actors. When discussing economic activity, the default term is "China," to encompass the range of individuals, firms, and government entities that may be involved.

The term "sanction" refers to any economic measure that is used as a coercive instrument, including financial sanctions, export controls, tariffs, or other restrictions on economic activity with China. "Financial sanctions" indicate those sanctions that specifically target financial activities.

Key Insights

While Singapore, India, and Germany are examined individually in detail, common themes emerge from the comparative analysis across the three countries.

A sanctions coalition in defense of Taiwan is not guaranteed. Each of the countries studied has significant political, economic, or institutional constraints that may preclude them from joining a sanctions coalition to deter or respond to PRC actions that seek to unilaterally change the status quo on Taiwan.

U.S. leadership is essential—and currently in doubt. It would be exceedingly difficult for any of the countries studied to impose or otherwise support severe sanctions absent a strong U.S. leadership role, even in scenarios of overt military action by the PRC against Taiwan. This is both because they require the United States to lead by example and because sanctions without the economic heft of the United States, as the world's largest economy, would be seen as futile.

In each of the three countries analyzed, stakeholders expressed deep doubts about the Trump administration's commitment to Taiwan and skepticism about America's ability to or interest in defending a rules-based international order. Each country has experienced a significant deterioration of its relationship with the United States since the start of the second Trump administration, stemming from tensions over U.S. trade actions and broader foreign policy disputes. The declining strength of traditional U.S. alliances and partnerships makes the viability of a U.S.-led sanctions coalition in defense of Taiwan substantially less likely.

Taiwan is not Ukraine . . . While Russia's invasion of Ukraine sparked concerns about a similar conflict in Taiwan, there are stark and important differences between the two cases, including the contested nature of Taiwan's international status, its island geography, and its central role in global supply chains.

. . . And the PRC is not Russia. Countries that were willing to sanction Russia, such as Singapore and Germany, may not be willing to sanction China, given a different set of strategic interests at play in a Taiwan contingency, the more central role that China plays in the global economy, and the PRC's ability to retaliate in response to sanctions.

Triggers matter. Country views on a Taiwan scenario, including their political willingness to impose sanctions, are highly contingent upon how a crisis or conflict starts, with appetite for joining a sanctions coalition rapidly disappearing if Taiwan is perceived to be the instigator.

Timing matters. The idea of imposing preemptive sanctions on China as a deterrent measure is not well received in Singapore, India, or Germany. However, the United States has substantially more scope in the near term to explore cooperation on economic resilience with these countries, which in turn can support future sanctions campaigns by mitigating vulnerabilities to PRC economic pressure.

Alignment on sanctions may be secondary in certain cases. If the United States decides to engage militarily in a defense of Taiwan, it is likely to make many requests of its international partners, including military requests that may have more strategic value than alignment on sanctions.

Alignment on sanctions comes in many flavors. Imposing mirror sanctions on China is one way for the United States to pursue alignment with a sanctions coalition, but it is not the only way. Expectations for tight alignment—including the imposition of sanctions—with Germany, as a close security partner and large economy, would be high. In contrast, securing Singapore's assistance in enforcing U.S. sanctions, even absent imposition of Singaporean sanctions, could be valuable given the country's role as a trade and finance hub and would likely be a more politically viable request. India has limited means to pressure the PRC economically, given the structure of its trade ties, but could provide important diplomatic support in the Global South.

Private sector compliance may exceed home government actions. The United States retains significant leverage, through dollar-based sanctions and extraterritorial measures, to force broad private sector compliance with U.S. sanctions. Companies resident in foreign countries have a strong incentive to comply with U.S. sanctions, even if their home government has not imposed similar sanctions. However, private sector compliance will also be influenced by the U.S. enforcement posture, and aggressive enforcement is likely needed to ensure broad compliance among non-U.S. companies.

Recommendations

An effective approach to building a sanctions coalition must be grounded in a broader U.S. strategy for deterring and responding to significant escalation in PRC aggression that aims to alter the status quo on Taiwan. It must also facilitate alignment by calibrating U.S. requests based on each potential partner's geopolitical, economic, and institutional capacities and constraints. The following are recommendations for U.S. policymakers with these goals in mind.

Pursue a steady, multifaceted approach to deterrence.

Neither the United States, nor any of the countries studied, wants conflict over Taiwan, and conflict should not be viewed as inevitable. Pursuing a robust deterrence strategy, including elements related to sanctions as well as other instruments of national power, should be a U.S. priority. This includes the following:

① Maintain a dual-deterrence goal.
Recognizing that international support is likely to be highly contingent upon how any potential conflict over Taiwan erupts, the United States should maintain a policy of deterring PRC aggression as well as Taiwanese moves toward independence that could provoke a PRC reaction.

② Steady the U.S. ship.
U.S. leadership is essential in any sanctions coalition in support of Taiwan. It is also in question in the wake of a highly disruptive trade and foreign policy under the second Trump administration. The United States must affirm its Taiwan policy with potential partners, such as the three countries studied, and commit to a strategy based on support for Taiwan and competition with the PRC. More broadly, even if this appears to be a long shot under the Trump administration, a renewed political commitment to traditional U.S. alliances and partnerships overall would have benefits for the ability of the United States to generate support for a sanctions coalition in support of Taiwan specifically.

③ Expedite efforts to build deterrence through resiliency.
Economic pressure becomes more viable the more resilient that the U.S. and partner economies are to PRC retaliation and the potential economic shocks of conflict over Taiwan. Bolstering resiliency can support deterrence by enabling a broader set of sanctions options, facilitating clearer signaling about the ability of the United States and partners to impose economic costs on the PRC, and building capacity to withstand PRC retaliation.

Develop a well-calibrated approach to building a sanctions coalition.

Different partners bring different capabilities and constraints to any potential sanctions coalition in support of Taiwan. A well-calibrated approach to building a sanctions coalition would include the following:

① Pursue tight alignment with close partners.
The United States should clarify with close partners, such as Germany, that it expects alignment on sanctions in the event of a Taiwan contingency. To facilitate alignment, it should intensify strategic planning and intelligence sharing to game out potential sanctions options and necessary resiliency preparations.

② Facilitate looser alignment with other partners.
Recognizing that neither Singapore nor India are likely to mirror U.S. sanctions, the United States should develop other means to engage them in an economic pressure campaign, such as cooperation on promoting compliance with U.S. sanctions or providing diplomatic support.

③ Make an interests-based argument for the defense of Taiwan.
Taiwan's contested status, along with the disruption of current U.S. foreign policy, make appeals to an international rules-based order more difficult. The United States may have more success in rallying support for an economic pressure campaign by appealing directly to the specific economic and strategic interests of each potential partner that would be implicated in a Taiwan crisis.

④ Use U.S.-vs.-China framing selectively.
Forcing Singapore or similarly situated partners to view a Taiwan contingency through the lens of U.S.-PRC competition is likely to be counterproductive, while also undermining more direct arguments about the strategic value of supporting Taiwan. In other cases, such as with close security partners like Germany, a competitive framing may be useful if the United States makes clear that support for Taiwan is a priority within the alliance.

Introduction

SANCTIONS ARE MOST EFFECTIVE WHEN implemented with partners, and this would be doubly true for strong sanctions on China should the People's Republic of China (PRC) act to unilaterally change the status quo on Taiwan. Yet the ability of the United States to build a broad-based sanctions coalition in support of Taiwan is fundamentally uncertain. The scale and depth of China's international economic ties would complicate efforts, as costs imposed on China may rebound to damage the sanctioning countries, either through spillover effects or stiff PRC retaliation. Taiwan's contested status would create diplomatic and political obstacles to rallying support. Overcoming these challenges would require a clear vision and strategy from the United States, as the only country with the military and economic power to defend Taiwan, as well as steady U.S. leadership to build broader support for Taiwan.

Even with such leadership, though, who would join a sanctions coalition? One might expect treaty allies in the Indo-Pacific region, such as Australia and Japan, to do so, alongside NATO allies. But the potential for massive economic fallout could give even close U.S. partners pause. Countries further outside the U.S. alliance structure would likely have even stronger disincentives to participate in a sanctions coalition, given a different perception of their security interests and a more skeptical view of the utility of sanctions.

Building a sanctions coalition in support of Taiwan would be difficult under the best of circumstances. The unavoidable fact is that the Trump administration's approach to U.S. alliances and partnerships has eroded the trust and goodwill that would have made such an endeavor more feasible. Punishing and unpredictable tariffs, launching a war of choice in Iran nearly alone, and threats to the sovereignty of U.S. allies have, among other issues, significantly degraded the strength of the U.S. alliance system and the credibility of America as the guarantor of international peace and security. A weaker foundation of alliances will make creating a coalition in support of Taiwan that much more difficult.

Under these challenging conditions, the goal of this paper is to shed light on how various types of countries may respond to a Taiwan contingency, with a focus on whether they would join a U.S.-led sanctions coalition in support of Taiwan. Three countries (Singapore, India, and Germany) were chosen as case studies to illuminate different combinations of the geopolitical, economic, and institutional incentives that would drive national policymaking in response to a Taiwan contingency. The analysis accounts for the role that each country's relationship with the United States, and specifically the Trump administration, may play but also assesses each's independent interests in the status of Taiwan. None of these three countries would be easily persuadable, but the support of each could be valuable in their own way.

Singapore is the classic example of a hedging country. With its high dependence on global trade and a foreign policy founded on balancing the relative regional power of the United States and the PRC, Singapore's primary objective for any sanctions coalition would be to stay out of it. At the same time, its role as a global financial and trade hub makes its cooperation essential for sanctions to bite.

India has a more natural animosity toward the PRC, in no small part due to continuous clashes over territorial disputes along their shared border. India's economic relationship with China is lopsided, and India's heavy reliance on Chinese imports means that it lacks economic ties that could be effectively weaponized as part of a sanctions campaign. The country can, however, play an important role in longer-term efforts to pursue a deterrence through resiliency strategy by serving as an alternate manufacturing location for firms derisking from China. Its leadership role within the Global South could also be an important diplomatic asset.

Germany has strong economic and security ties with the United States, along with a commitment to a rules-based international order. The deep dependence of its export-led economy on China, however, creates strong resistance to any sanctions action that could rebound negatively on Germany. Germany, along with Europe more broadly, has serious capacity issues, as its political attention is consumed by deterring the existential Russian threat to European security and managing the declining alliance with the United States. Competition with the PRC often seems a more distant or abstract problem in comparison.

Each of these countries would bring geopolitical, economic, and institutional capacities and constraints to the question of a possible sanctions coalition in support of Taiwan. To delve further into these capacities and constraints, the research team conducted interviews with Singaporean, Indian, and German (as well as European) stakeholders; conducted research trips to Singapore, Berlin, and Brussels; convened roundtable discussions in Washington, D.C., and with stakeholders in New Delhi; and conducted desk research.

An important part of the research effort was to analyze how different scenarios would impact each country's calculus. The research team posited three types of potential crisis scenarios that could arise in the Taiwan Strait:

- **Intensification of gray-zone activities against Taiwan:** The PRC decides to significantly intensify its existing gray-zone activities against Taiwan. This could include, for example, a massive ramp-up in military drills around Taiwan with a focus on invasion simulations, intensified cyber actions, or more widespread economic coercion.[1] Though similar in nature to existing gray-zone activities, the scale intensifies to such an extent that the United States may be compelled to respond. However, negative impacts of the gray-zone activities are limited to Taiwan, and costs are not felt by international actors.

- **Short-duration conflict:** The PRC engages in an active military operation against Taiwan with actions that are designed to be decisive and fast, while also allowing for escalation if necessary. This could include, for example, measures such as a rapid, high-intensity barrage of air and missile attacks against key targets in Taiwan, seizure of an outer Taiwanese island in the Kinmen or Matsu archipelago, or short-duration embargo of goods going in and out of Taiwan. The conflict is temporary but is an undeniable change to the status quo, and it imposes some short-term costs on international actors, while sharpening concerns about further PRC aggression.
- **Long-duration conflict:** The PRC attempts a full-scale invasion of Taiwan. The conflict draws the United States and its allies into a prolonged conflict that lasts multiple months, devastating the island of Taiwan. There is loss of life and destruction of military assets for the United States and allies.

These scenarios are deliberately sketched in broad terms. Recognizing the almost infinite number of variables in any real-world scenario, the scenario-based discussions were used primarily as prompts to test the boundaries of when the three case-study countries would or would not be motivated to participate in a sanctions coalition. The scenarios should also be read as hypothetical, not predictive, as conflict over Taiwan is not inevitable. The phrase "a Taiwan contingency" is used in this report to refer to this range of potential scenarios.

The idea of a sanctions coalition assumes that the United States will play a leading role in the defense of Taiwan, including in developing an economic pressure strategy. The United States has strong interests in preventing unilateral changes to the status quo on Taiwan, and indeed it is stated U.S. policy to do so. The economic costs of a conflict over Taiwan could be staggering, with one estimate noting that a conflict could shave 10 percent off global GDP.[2] PRC control over Taiwan could involve key assets, including Taiwan's essential chip-making capabilities. It could also enable further projection of the PRC's military power throughout the Indo-Pacific region and a corresponding diminution of U.S. influence and maneuverability. Taiwan's flourishing democracy is also an important factor. These interests may lead the United States to mount a defense of Taiwan if needed, and the United States is the only country that has the economic heft and financial weapons to enact a comprehensive economic pressure campaign to deter or respond to PRC aggression that forcefully changes the status quo.

It is important to note, however, that the United States has historically not used sanctions to react to PRC aggression toward Taiwan in a directly responsive, tit-for-tat manner. It has also never faced sanctions decisions that could have such profound impact on the U.S. and global economies. This creates a significant level of uncertainty over U.S. intentions and willingness to impose sanctions in any real-world scenario, regardless of severity. The Trump administration's shifting policy on the PRC introduces further uncertainty about a U.S. response. Nevertheless, this report explicitly assumes that the United States would impose sanctions in response to PRC aggression and that sanctions could reach high escalation levels, including severe actions such as sanctions on major Chinese banks, particularly in a long-duration conflict in which the United States and the PRC are directly engaged militarily.

This report is intended to contribute to ongoing policy debates on the role that economic measures can play in a broader strategy to deter or respond to PRC aggression toward Taiwan. It is complementary to published work from the Atlantic Council, the Rhodium Group, and the RAND Corporation, who conducted similar country case-study work on potential sanctions coalitions. The Atlantic Council and Rhodium focused on the G20, and RAND examined Japan, Australia, and the United Kingdom (UK).[3] Read together, this coordinated body of work provides a breadth and depth of analysis about the contours and viability of any sanctions coalition in support of Taiwan. Forthcoming work from the Center for a New American Security (CNAS) on the history and potential utility of U.S. and allied sanctions to respond to PRC gray-zone activities against Taiwan will further expand this literature. All of this work should be read with the understanding that sanctions alone cannot be expected to deter the PRC or compel a halt to aggression once launched and that their effective use can only come as part of a broader deterrence effort that includes substantial military, cyber, and diplomatic components. Nonetheless, given the likelihood that sanctions would be part of the equation, it is worth considering how to maximize their utility.

This report also builds on prior CNAS work, specifically *No Winners in This Game: Assessing the U.S. Playbook for Sanctioning China*, which provided a comprehensive assessment of the relative leverage that the United States and the PRC have in the economic domain.[4] Key findings from *No Winners* are relevant to this report, including that the inability to build a clear consensus on an intent to impose coordinated sanctions well in advance of a conflict can seriously erode the deterrent effect of sanctions. It is in the spirit of encouraging analysis, coordination, and strategic planning for a sanctions campaign that this report is offered.

The first section of the report highlights common themes that emerged from the case-study analysis. The second section dives deeper into the geopolitical, economic, and institutional capacities and constraints that face Singapore, India, and Germany. It also explores how the United States could craft an effective partnership with each country, taking into account these capacities and constraints. Finally, the report concludes with recommendations related to building a future sanctions coalition for U.S. policymakers as they consider broader efforts to deter PRC aggression against Taiwan.

Key Insights from Country Case Studies

THE COUNTRIES CHOSEN FOR ANALYSIS (Singapore, India, and Germany) would bring a diversity of geopolitical, economic, and institutional capacities and constraints when determining their response to any Taiwan contingency. There are nonetheless common themes that emerged in the research about the factors that would influence each country's potential position in a Taiwan contingency. It is possible that, under certain conditions, the United States would be able to elicit some form of support from each of these countries in a defense of Taiwan. However, multiple variables could throw a wrench into any coalition-building effort, and both Taiwan and the United States would have to carefully calibrate their actions to maximize the potential for support.

A Sanctions Coalition in Defense of Taiwan Is Not Guaranteed

Each of the countries studied showed high skepticism about the possibility of heavy sanctions against China in the event of a Taiwan contingency. Germany was the most open to the possibility politically, as their overall position toward the PRC has hardened in recent years. However, the country retains significant reservations about the economic blowback to their own economy, including from potential PRC retaliation, as well as doubts about whether sanctions can have a strategic impact on PRC decision-making. India is also concerned about the PRC's threat to regional stability, but its long-held disapproval of sanctions and its lack of weaponizable economic ties mean that it has few practical options for pursuing sanctions against China. Singapore's extreme exposure to trade shocks make it strongly opposed to weaponizing economic ties. While each country's geopolitical, economic, and institutional constraints differ, the commonality across all three is a clear hesitation to rely on sanctions to deter or respond to PRC aggression toward Taiwan.

U.S. Leadership Is Essential— and Currently in Doubt

None of the countries under analysis would impose meaningful sanctions on China absent a forceful leadership role from the United States. The United States is the key actor in leading a coalition in support of Taiwan, as the only military power that could defend Taiwan against PRC aggression and the country with the strongest economic weapons. Germany, along with Europe more broadly, may be politically open to imposing sanctions unilaterally but sees such actions as ineffective without U.S. participation. Singapore and India would be hard-pressed to impose sanctions, even with strong U.S. pressure. They almost certainly would not proceed with sanctions if that put them out of step with the United States, as that would leave them isolated and vulnerable to PRC retaliation. Singapore, India, and Germany each have an important role to build support for Taiwan within their respective regions, but none of them will do so without the United States in the lead.

U.S. leadership is essential, but the U.S. position on Taiwan has become more uncertain in the second Trump administration. The Biden administration (wisely or not) moved closer to strategic clarity, as then–President Joe Biden spoke several times about the U.S. commitment to defend Taiwan.[5] Under President Donald Trump, the traditional U.S. position of strategic ambiguity has gotten decisively more ambiguous. Trump has publicly stated that Taiwan should pay the United States for its defense and has not explicitly said whether the United States would come to Taiwan's defense in the case of a rupture with China.[6] The United States has hit Taiwan with tariffs, discussed with the PRC potential arms sales to Taiwan, and discouraged the transit visit of Taiwanese President Lai Ching-te, all of which run counter to U.S. norms or policy.[7] It has also misstepped when it comes to allies: Japan, for example, was stung when the United States responded slowly to Chinese economic coercion following Japanese Prime Minister Takaichi Sanae's statements about Japan's interests in a potential Taiwan contingency.[8]

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Broader turbulence in U.S. foreign policy will also bleed into coordination related to Taiwan. The trade policy of the second Trump administration has severely strained relations with all three countries. The wavering U.S. position on Ukraine has introduced questions about the constancy and reliability of U.S. security support in any context, and Germany (along with Europe) fears U.S. weakening of support for European security—a once unquestionable U.S. commitment. U.S. disputes with allies over Greenland and the U.S.-Israeli military operations against Iran have further raised tensions. The United States may still attempt to rally support for Taiwan in response to a crisis, but Singapore, India, and Germany would all approach any potential coalition with deep-rooted concerns about the steadiness of U.S. leadership, as well as pessimism over the health of their own relationships with the United States.

Taiwan Is Not Ukraine . . .

The Russian invasion of Ukraine, and the resulting sanctions campaign and economic fallout, sparked concerns over the potential repercussions should the PRC attempt a similar takeover of Taiwan. Across all three countries, there is heightened awareness of the economic risks of a Taiwan contingency, particularly as these countries continue to deal with the prolonged impact of the Russian invasion and related sanctions.

However, a closer comparison highlights how differently a Taiwan contingency would be perceived. Taiwan's status is contested, and all three countries maintain a version of a one-China policy that does not recognize Taiwanese independence. Russia's invasion of Ukraine was a clear violation of a sovereign state and contrary to United Nations (UN) principles. These factors led Singapore, a historically neutral nation, to sanction Russia. PRC action against Taiwan may not provide such clarity, particularly when considering the prominence of gray-zone activities in current PRC operations related to Taiwan. These dynamics would delay and complicate robust support for Taiwan and, in some cases, may preclude it altogether. For Germany in particular, while there is a recognition of the strategic and economic interests at play in a Taiwan contingency, these interests pale in comparison to the existential threat that the Russian invasion of Ukraine presents to European security.

Other distinctions between Taiwan and Ukraine may cut in the other direction and increase pressure to rally support for Taiwan. Taiwan's island geography will significantly constrain the ability to supply the island with arms and essential goods during a conflict, leaving Taiwan more vulnerable than Ukraine if the United States and allies decide to not intervene militarily. Taiwan's critical role in global supply chains heightens the costs of conflict, as disruption of chips supply from the island is likely to cause a global economic contraction.

India is an outlier. It may be inclined to take a tougher line on Taiwan than it did in the Ukraine case, in which India declined to join a sanctions campaign and continued purchases of Russian energy and military kit. PRC action against Taiwan would undermine India's own interests in a free and open Indo-Pacific region and may also have implications for the security of its contested border with China. Whereas Ukraine was not seen as India's problem, a PRC-controlled Taiwan would be more directly against Indian interests.

. . . And the PRC Is Not Russia

Singapore, India, and Germany have different strategic interests at play in their relationships with the PRC than they do with Russia. Singapore has a more direct interest in peace and stability in its home region of the Indo-Pacific than it does in Europe, and it has also long maintained a posture of balancing the competing PRC and U.S. powers in the region, not wishing to see either gain primacy. India, by contrast, sees more natural competition in its relationship with the PRC than it does with Russia and is increasingly primed to view PRC aggression as the foremost threat to regional security. In Germany, views are hardening against the PRC, largely due to its support of Russia, but Germany's political attention remains consumed by the Russian threat.

Concerns about PRC retaliation will be potent.

The scale of China's economic relationships with all three countries is also fundamentally different from that of Russia's. While weaning off Russian energy has been painful for Europe, an abrupt decoupling with China's economy would likely be far more significant for all three countries, given the size of China's economy and the essential role it plays in global manufacturing and related value chains (e.g., rare earths). India and Germany rely on imports from China, while Singapore has one of the highest trade-to-GDP ratios in the world so any economic shock would have an outsize impact on its economy. All three countries would need to consider the economic fallout from a Taiwan contingency and U.S. sanctions, regardless of whether they joined a coalition.

Concerns about PRC retaliation will be potent. While the PRC has been building its economic coercion toolkit for years, a wave of recent actions highlight an increased willingness to push back forcefully against U.S. economic statecraft. During the summer and fall of 2025, the PRC implemented high tariffs and sweeping export controls on rare earths in response to U.S. tariffs and export controls.[9] More recently, it has implemented its antisanctions law for the first time, prohibiting its banks from complying with U.S. sanctions on a Chinese oil refinery purchasing sanctioned Iranian oil.[10] The costs of PRC retaliation and sanctions countermeasures, on top of the costs of U.S. sanctions and that of the conflict itself, will serve as a significant deterrent for a sanctions coalition.

Triggers Matter

In all three countries, the most common answer to questions about whether the country would support sanctions against the PRC in a Taiwan contingency was "it depends." Each country's position would depend on the nature, scope, and scale of the conflict. How the conflict started and who is seen as the aggressor would be a key determinant. For example, if the PRC was seen as the aggressor over Taiwan, it is likely that all three would provide at least tacit support to U.S. efforts. This could include providing support for enforcement of U.S. sanctions or preventing their jurisdictions from becoming major hubs of sanctions evasion, even if a country such as Singapore may still be unlikely to impose its own sanctions. Conversely, support for Taiwan would quickly erode if Taiwan was viewed as the instigator. Clarity on PRC actions, including in gray-zone scenarios typically characterized by ambiguity, and control over the international narrative will be important factors in enlisting any of these countries in support of Taiwan.

Timing Matters

There is virtually no appetite in any of the three countries for imposing preemptive sanctions on the PRC as a deterrent measure in advance of a conflict. Of the three countries, Germany is the best candidate for considering preemptive sanctions, particularly considering the value of a strong, unified G7 sanctions signal as part of a broader deterrence strategy. However, this will be an uphill climb, given current concerns in Germany about inciting PRC retaliation and uncertainty over the solidity of the U.S. position on Taiwan. Singapore is unlikely to impose sanctions at any point and certainly would not be inclined to do so in a pre-conflict context in which sanctions may escalate, rather than de-escalate, tensions. Similarly, India's historic skepticism of sanctions means it is unlikely to start a sanctions tradition with the novel approach of preemptive sanctions.

However, preemptive sanctions are only one way for the United States to work with Singapore, India, and Germany outside the context of an active crisis or conflict. Each country can themselves, or through engagement with the United States, continue to build economic resilience and derisk supply chains from China. Minimizing the number of economic ties that can be weaponized by the PRC is critical to enabling the use of U.S. and allied sanctions in a potential conflict scenario. Addressing economic vulnerabilities is a long-term process that cannot be turned on quickly once a crisis becomes imminent, which raises the importance of working with partners now to build resilience. In many ways, bolstering economic resilience may be as or more important than attempting preemptive sanctions, as it alters the underlying structure of the economic battleground. It may also be more politically feasible because it is less provocative than imposing sanctions. Sanction-planning efforts can also be pursued in advance of a contingency to facilitate clear signaling to the PRC about the potential costs of aggression against Taiwan and to enable quick imposition of costs should the PRC act.

> There is virtually no appetite in any of the three countries for imposing preemptive sanctions on the PRC as a deterrent measure.

Assessments of when the PRC is likely to act against Taiwan are also critical. If the PRC seeks the capability to act against Taiwan by 2027, as certain officials have signaled, then the United States and partners should expedite resiliency and planning efforts now, with the understanding that any progress in such a short time frame would likely be modest. But even if one assesses a more uncertain timeline, placing more urgency behind preparatory efforts now would be warranted, given the hard reality that it takes years to shift supply chains.

Alignment on Sanctions May Be Secondary in Certain Cases

If the United States is engaged in a military defense of Taiwan, it will likely push Singapore, India, and Germany for cooperation and alignment on several fronts, including in high-priority military or security areas. Singapore provides basing and access for U.S. forces that may be important for a military defense of Taiwan. Germany is a NATO ally, and the United States may push for allied security cooperation or military support. India could be asked to draw attention away from Taiwan by positioning forces at its contested border with China.

The United States will have to consider its military needs against the value of also pushing any of these countries for alignment of sanctions. It may be more important to secure Singapore's cooperation in support of U.S. military operations than to push it to impose sanctions. India has fewer economic ties that can be weaponized in any case, so a more strategic approach may lean more heavily on India's military cooperation and the diplomatic role it can play in the Global South. Germany, however, as the closest U.S. partner among the three, would likely be expected to align across the board, and its engagement on sanctions would be important to give weight to any U.S. economic pressure campaign against the PRC.

Alignment on Sanctions Comes in Many Flavors

Singapore, India, and Germany can all play important roles in a U.S.-led sanctions coalition in support of Taiwan but only if the United States considers their diverse geopolitical, economic, and institutional constraints when building a coalition. Imposition of mirror sanctions, compliance with U.S. sanctions, proactive derisking of economic ties with China, and providing diplomatic support represent a range of actions that partners could take to align with the United States.

Singapore has a key role to play in ensuring the enforcement of any U.S. sanctions. It is highly unlikely that Singapore would formally join a U.S.-led sanctions coalition during a Taiwan contingency, given its geopolitical balancing act and desire to avoid choosing between China and the United States. At the same time, Singapore is unlikely to obstruct a U.S. sanctions effort and could, under certain conditions, provide strong support for enforcement and compliance of U.S. sanctions within Singapore. Even tacit support for U.S. sanctions would be beneficial, given Singapore's role as a major financial and trading hub for Asia, and since it possesses sophisticated institutional capacity to monitor and provide informal guidance to its financial institutions and companies.

India has little to offer by way of sanctions imposition, as it has few economic ties with China that could be effectively weaponized and limited institutional capacity to impose or enforce sanctions. It can, however, be a critical partner in longer-term resiliency efforts, including as private sector firms look for alternatives to manufacturing in China. Moreover, India's natural tendency to view the PRC as a competitor in the Indo-Pacific, India's direct interest in Indo-Pacific security, and its desire to serve as a leader in the Global South mean that India could play a significant diplomatic role in garnering international support for Taiwan.

Germany's active participation in a sanctions coalition, along with the broader EU, is critical. Germany has the economic leverage and the institutional capacity to implement a sanctions campaign in coordination with the United States. While one should not underestimate the challenges in convincing Germany to align on Taiwan-related sanctions, it is the most natural ally of the United States among the three countries under analysis and expectations for strong alignment on sanctions imposition would be accordingly high.

Private Sector Compliance May Exceed Home Government Actions

In all three countries, the private sector will face regulatory and compliance risks associated with U.S. sanctions, regardless of whether their home government imposes any of its own sanctions. The centrality of the U.S. dollar in global financial systems provides the U.S. government with outsized power to extend the reach of its sanctions around the globe. Traditionally, multinational companies and major financial institutions tend to comply with U.S. sanctions, due to the reputational, legal, and commercial costs of facing a U.S. enforcement action. This can lead to a divergence between the official position of the government, which may be reluctant to impose sanctions on China, and the behavior of its firms, which have a strong commercial incentive to comply with U.S. sanctions.

This assessment has two important caveats. First, it is predicated on a U.S. willingness to take strong enforcement actions against sanctions violators. Bank compliance behaviors, for example, have been strongly influenced by massive fines imposed in the post-9/11 transformation of U.S. financial intelligence and sanctions policy.[11] A strong enforcement posture and sufficient staff and resources will be necessary to aggressively pursue sanctions violations and maintain the deterrent effect. The United States will also need to be willing to take enforcement actions against politically sensitive targets, such as Singaporean banks or German multinationals.

Second, the increasingly assertive PRC geoeconomic posture will complicate firm decision-making. Repeated use of the PRC antisanctions law or similar measures may create more frequent "conflict-of-law" scenarios in which a firm cannot legally comply both with U.S. sanctions and a PRC law forbidding compliance with U.S. sanctions. How individual firms respond to such scenarios will depend on their relative exposure to the United States and China. Many multinational firms may still prioritize compliance with U.S. law, as that assures their access both to the U.S. market and to the U.S.-dollar dominated global financial infrastructure, but the costs of doing so may rise if it means loss of access to the China market.

Country Analysis

SINGAPORE, INDIA, AND GERMANY each face a unique set of geopolitical, economic, and institutional factors that will influence their reactions to any Taiwan contingency. Geopolitically, each country has its own policy toward Taiwan and an assessment of its strategic interests that would be implicated if the PRC sought to change the status quo on Taiwan. The relative health of these countries' relationships with the United States and the PRC will play a role, as U.S. engagement to defend Taiwan would necessarily create a dynamic in which countries will be forced to choose between the two. The structure of each country's economic ties will matter, as imposing sanctions on China will create new costs for the sanctioning country. Countries may have to weigh the costs of cutting ties with China against the possibility that a failure to do so could spark a U.S. response, therefore jeopardizing its economic ties with the United States. Finally, if any of these countries decides to impose sanctions, it must have the institutional capacity to effectively implement and enforce the sanctions, and this varies widely across the countries under analysis.

This section examines each of these factors as they apply to Singapore, India, and Germany. Broadly characterized, Singapore is likely to have little political appetite for joining sanctions against China but could play an important role in facilitating compliance among its globally significant financial institutions. India may be open to sanctioning China in certain scenarios but has very few economic ties that could be effectively weaponized to do so. Germany brings substantial economic heft to bear along with the most robust set of institutional capacities among the three countries but faces significant domestic political constraints as well as formidable coordination challenges with the rest of the EU member states. If the United States seeks to engage any of the three countries in a sanctions coalition in defense of Taiwan, it will need to develop pragmatic and nuanced strategies to address each of these sets of geopolitical, economic, and institutional constraints.

Singapore

Singapore has significant geopolitical and economic constraints that would likely prevent it from imposing its own sanctions on China in response to a Taiwan contingency. Singapore's long-standing foreign policy priority has been to promote balance between U.S. and Chinese influence in the Indo-Pacific region. Economically, Singapore is heavily trade-dependent, which would magnify the shock of any sanctions-induced economic costs arising from a Taiwan contingency. Singapore does, however, have sufficient institutional capacity to promote compliance with U.S. sanctions, which could be an important factor given Singapore's role as an essential regional financial and trading hub and its emerging role in global semiconductor supply chains.

Geopolitical Factors

Singapore's baseline geopolitical position on Taiwan is to maintain the status quo and not become involved in any potential contingency. This is consistent with its strategy of balancing competing powers, as well as its desire to align its foreign policy with other members of the Association of Southeast Asian Nations (ASEAN). Singapore's balancing act has become more complex under the second Trump administration, as its interests in a stable, rules-based international system are directly challenged by Trump administration foreign policy and trade actions.

Singapore's Position on Taiwan

Singapore maintains a one-China policy and opposes Taiwanese independence.[12] This contrasts with the long-standing U.S. position, which is intentionally more ambiguous and states that the United States "does not support any unilateral changes to the status quo in the Taiwan Strait."[13] When pushed by the PRC, as it was after it congratulated Lai on his victory in the 2024 Taiwanese presidential elections, Singapore's government is quick to reiterate its stance.[14] Singapore often urges both the United States and the PRC to maintain peace and stability in the Taiwan Strait, noting the "global repercussions" of any conflict.[15]

Singaporean officials have forcefully pushed back on narratives that a PRC invasion of Taiwan would be analogous to Russia's invasion of Ukraine in 2022. Singapore imposed sanctions on Russia, a move that was somewhat surprising in that it took place outside of a UN mandate and required Singapore to autonomously impose the sanctions. Singapore justified the sanctions by citing Ukraine's clear sovereign status under international law and the unambiguous nature of the Russian invasion.[16] In contrast, Taiwan's status is less clear and therefore less defensible under international law, and Singapore's Prime Minister Lawrence Wong has noted that the two scenarios are "fundamentally different."[17] Singapore's leaders are also unlikely to be swayed by appeals to democratic values, given its one-party rule and constrained democratic institutions.[18]

Official statements resist the idea that Singapore would be drawn into a conflict on either the side of the PRC or the United States and express concern that any tacit support for Taiwan could be seen as emboldening Taiwanese independence advocates.[19] Singapore's ultimate position in any future conflict and any potential sanctions coalition is likely to be highly contingent and would depend on the nature of the conflict including, importantly, whether the PRC is seen as the aggressor. Even with that in mind, only small minorities of Singaporeans support sanctions on "the aggressor" in a Taiwan conflict, according to one survey of elite opinion in Southeast Asia.[20]

Singapore's formal Taiwan relations policy exists alongside a robust unofficial relationship. This includes the ongoing training of Singaporean troops in Taiwan under Project Starlight, due to Singapore's lack of physical space to conduct its own activities.[21] This training arrangement has persisted since 1975, despite causing occasional friction with the PRC, and Singapore has rebuffed PRC entreaties to move the training to mainland China.[22]

> Singapore's baseline geopolitical position on Taiwan is to maintain the status quo and not become involved in any potential contingency.

Stability in the Taiwan Strait impacts Singapore beyond the country's direct strategic and economic interests in Taiwan. Singapore is one of the world's most highly trade-dependent countries, with a trade-to-GDP ratio of more than 320 percent in 2024, more than 12 times that of the United States.[23] Any disruption to the global trade flows arising from a Taiwan contingency would have outsized impacts on Singapore, and aggressive U.S. sanctions against China would further aggravate these costs. Notably, more than 14 percent of Singapore's maritime trade goes through the Taiwan Strait, meaning a conflict in the region may significantly disrupt the trade flows critical to its economy.[24] Expansion of a kinetic conflict to the critical Strait of Malacca (a key chokepoint for shipment of Chinese—and global—energy and goods) would have further impacts, given Singapore's prime position along the Strait and its role as a major shipping hub.[25] This economic interest, and exposure to global trade shocks, is a significant reason Singapore's official position has been strongly in support of the status quo in the Taiwan Strait with avoidance of conflict as a primary objective.

Balancing U.S.-China Regional Power

A Taiwan contingency would leave Singapore facing a difficult diplomatic choice between its ties to China on the one hand, and the United States on the other. Singapore often views China as its most important economic partner and the United States as its most important security partner, although such a view may undervalue the significant economic ties that Singapore also enjoys with the United States. More generally, Singapore's foreign policy aims for a position of neutrality and openness to engaging with all countries. A Taiwan contingency that involves American pressure to impose economic costs on China would put Singapore in a deeply uncomfortable position, as its traditional refrain of "don't make us choose" may no longer be acceptable to either side.

The United States is a critical security partner for Singapore, though the security cooperation is not structured as a formal alliance. Singapore's security establishment is concerned about the PRC's assertive behavior in the region and has traditionally viewed the United States as an essential part of any future stable regional balance. The United States and Singapore have important military ties, including access, basing and overflight privileges granted by Singapore to the United States, joint training and military exercises, and more than $8 billion in government-to-government sales from the United States to Singapore as of 2025.[26] Singapore would face challenging decisions regarding its ties to the United States under any Taiwan conflict scenario in which the United States becomes engaged militarily, including whether to allow the United States access to its naval and air bases.

Singapore has military ties to China as well, consistent with its broader approach of constructive engagement with all countries. These ties are shallower than those with the United States and less frequent. An estimate from the International Institute for Strategic Studies notes that China's exercises in the region and with Singapore specifically are only approximately 7–10 percent of those of the United States, though China's number of exercises and exchanges is growing as part of its overall defense diplomacy engagement.[27]

Beyond military dimensions, Singapore also faces complex domestic considerations when considering potential sanctions against China. Approximately 75 percent of Singaporeans are ethnically Chinese, and public opinion is generally favorable toward China.[28] Pew Research Center polling has found that three-quarters of Singaporeans hold positive views of China.[29] The PRC has also sought to actively strengthen affinity for its efforts through clan and grassroots networks in Singapore, as well as through Chinese-owned television networks and social media.[30] Both China and the United States have important economic ties to Singapore, as explored further in a later section.

Similar to India and Germany, Singapore's relationship with the United States has experienced heightened tension under the second Trump administration. More than 75 percent of Singaporeans cite Trump's aggressive foreign policy as their top geopolitical worry, surpassing long-standing concerns over PRC tactics in the South China Sea.[31] While about half of Singaporeans have favorable views of the United States as a reliable partner over time, more than 80 percent express a lack of confidence that Trump will do the right thing regarding world affairs.[32] Singapore's trade dependency has left it vulnerable to disruptions from the U.S. tariffs, while the energy shocks arising from the U.S.-Israel operations in Iran and the closure of the critical Strait of Hormuz have hit Asian economies hard.[33] The possibility of a G2 world, in which the United States and the PRC dictate international terms without consultation with smaller powers, deeply unsettles Singaporean leaders, and such a world appears more plausible after U.S.-China summits seeking to set the relationship on the course of "strategic stability."[34] Singaporean concerns over the broader direction of U.S. foreign policy will present a meaningful hurdle for its participation in any potential sanctions coalition in support of Taiwan.

> Singapore's traditional refrain of "don't make us choose" may no longer be acceptable to either side.

Singapore Within ASEAN

In addition to its overall opposition to sanctions against China, Singapore would likely seek to align its position with other countries within ASEAN. Singapore was a founding member of ASEAN and views alignment among ASEAN countries as an important element of its foreign policy approach. Consistent with Singapore's perspective, ASEAN countries are likely to emphasize the need for the status quo and to prioritize the need to avoid any negative economic impacts arising out of tensions over Taiwan, making an ASEAN role in any sanctions against China highly unlikely.[35] Participation in ASEAN does not bind Singapore or other member countries to act in coordination with other ASEAN countries, but Singapore's role within ASEAN will serve as a disincentive for it to take actions beyond what other ASEAN members are willing to do. While Singapore was an outlier among ASEAN nations in imposing sanctions on Russia, it will have less appetite to diverge from a unified ASEAN position when the target is China, one of its most important economic partners.

Like Singapore, ASEAN countries are highly intertwined with both the United States and China. China is ASEAN's largest trading partner, with two-way trade reaching nearly $1 trillion in 2024, according to PRC customs data (nearly double that of U.S.-ASEAN trade).[36] The PRC and ASEAN expanded their Free Trade Agreement in 2025.[37] At the same time, the United States had traditionally been the top source of foreign direct investment (FDI) for ASEAN, and many ASEAN countries have strong political or military ties with the United States.[38] These regional dynamics replicate and reinforce the position of Singapore, balancing the need for the United States as a security partner with China as an essential economic partner.

Economic Factors

Singapore has a deep reliance on its trade and investment ties with Taiwan, China, and the United States. Any economic disruption from a conflict over Taiwan, or resulting U.S. sanctions on China, would likely have severe negative impacts across the Singaporean economy. And while Singapore counterparts often note that their deep reliance on economic ties with China are critical to their economic prosperity, the country's ties with the United States are equally important. Singapore cannot afford to lose commercial engagement with either country during a Taiwan contingency.

Scale of Dependency on International Markets Is a Key Vulnerability

Singapore's primary vulnerability to economic shocks from a Taiwan contingency is the sheer scale of its dependence on global trade, rather than any particular trade flow of concern. It has one of the highest trade-to-GDP ratios in the world, well exceeding 300 percent in any given year.[39] Singapore is also deeply connected to the international financial infrastructure, playing an indispensable role in financial intermediation between emerging Asian economies and global markets. Singapore's banking sector assets totaled more than 500 percent of its GDP, according to an International Monetary Fund estimate.[40] The sheer scale of Singapore's trade and financial linkages to global markets represent an overarching vulnerability to external shocks.

Singapore has sizable financial reserves, at an estimated $850 billion when including official reserves and the holdings of the Singapore sovereign wealth funds Temasek and GIC.[41] This financial cushion allows Singapore room to introduce robust countercyclical financial support in the event of an economic crisis. Nonetheless, the experience of COVID-19 showed that small-trade-dependent economies are uniquely vulnerable to trade-related economic shocks. Singapore's economy shrank by 5 percent in 2020, for instance—its worst economic contraction since independence in 1965.[42] A severe financial shock could also challenge Singapore's ability to maintain the stability of its currency, which it allows to float within a narrow band pegged to a basket of international currencies.[43] It is unlikely that Singapore's considerable financial firepower would provide a full defense against the economic impact of a Taiwan crisis.

Role in Global Semiconductor Supply Chains

Singapore has established itself as a small but important partner in the global semiconductor supply chain thanks to its highly skilled workforce and significant investment in manufacturing and research and development.[44] The country has capabilities across the value chain, from tooling and wafer production through back-end testing, assembly, and packaging, and it hosts major international chips companies.[45] The chips sector accounts for an estimated 6 percent of Singapore's GDP and is its largest export sector.[46]

Singapore's semiconductor capabilities could provide it with a critical role in any Taiwan contingency, given the salience of the chips sector to such scenarios. Singapore could emerge as an alternative supplier of chips to global markets if Taiwan's supply is unavailable (though far from a full replacement). It is also possible that a U.S. sanctions approach would seek to cut off semiconductor manufacturing equipment or other chips-related exports to China, including those from Singapore. Mirroring, or at least complying with, U.S. sanctions in the chips sector will be important to avoid a situation in which Singapore exports undercut the effectiveness of U.S. chips sanctions. The presence of major U.S. chips companies in Singapore suggests that the sector overall would most likely comply with any U.S. chips sanctions, though this would put Singapore in a difficult geopolitical position nonetheless.

Trade and Investment with Taiwan

Singapore has an important economic interest in its relationship with Taiwan. Taiwan is one of Singapore's largest trading partners, with $133 billion in merchandise trade in 2025 and $15 billion in services trade in 2024.[47] This growing relationship is driven by trade in semiconductors, which make up a substantial portion of overall bilateral trade, with Singapore's capabilities in legacy chips complementing Taiwan's dominant role in cutting-edge chips.[48] The two countries maintain the Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership—a high-standards trade liberalization pact signed in 2014 that underpins a strong bilateral trade and investment relationship.[49]

Investment ties are modest but increasing in importance as Taiwan looks to Singapore as an alternative to mainland China, including in relation to semiconductor investments.[50] The stock of Taiwanese investment in Singapore was approximately $48 billion in 2024, and the stock of Singaporean investment in Taiwan was approximately $10 billion.[51]

Trade and Investment with China

China (including Hong Kong) is Singapore's largest trading partner, with approximately $196 billion in merchandise trade in 2025 and $100 billion in services trade in 2024.[52] The two countries have signed the China-Singapore Free Trade Agreement, eliminating tariffs for 95 percent of products traded, and both participate in the Regional Comprehensive Economic Partnership (RCEP), a regional trade pact championed by China.[53] Integrated circuits, semiconductor manufacturing equipment, and other electrical equipment and components account for the largest share of Singapore's exports to China, followed by refined petroleum products.[54] Imports from China are dominated by electronic products (including consumer electronics), integrated circuits, and refined petroleum products.

Bilateral investment flows are substantial. Singapore has been the largest foreign investor in China for more than a decade, and the country became the largest cumulative source of foreign investment in China in 2022.[55] Singapore's stock of direct investment in China (including Hong Kong) in 2024 was $251 billion.[56] Investment into China has steadily accounted for about 20 percent of Singapore's outbound investment.[57] Most of Singapore's investment into mainland China is in the manufacturing, retail, and real estate sectors, with investments in Hong Kong concentrated in the financial services sector.[58] China is also an important source of foreign investment into Singapore, typically among the top three sources of investment flows after the United States and the EU, though behind these economies by a decent margin.[59] China direct investment stock in Singapore was $156 billion in 2024.[60] Chinese investment in Singapore mostly lies in the finance and insurance, construction, retail, and real estate sectors.[61]

As Chinese companies expand into Southeast Asia, Singapore has become the premier destination for Chinese investment because of language accessibility, transparent governance, and advanced technologies and manufacturing capabilities.[62] A number of China-based companies have established regional hubs in Singapore, including Alibaba, Tencent, and ByteDance. Other China-based companies have begun to relocate operations in Singapore to mitigate geopolitical risks or attempt to avoid trade restrictions resulting from U.S.-China tensions. In the wake of the PRC's security crackdown in Hong Kong, major international financial firms considered relocating operations from Hong Kong to Singapore, indicating that Singapore's importance as a global financial hub may grow in periods of geopolitical tension with the PRC.[63]

Trade and Investment with the United States

U.S.-Singapore trade flows included $109 billion in merchandise trade in 2025 and $145 billion in services trade in 2024, making the United States Singapore's top partner in services trade and among the top partners in merchandise trade.[64] Top

U.S. exports to Singapore include crude petroleum, aerospace, industrial machinery and parts, and semiconductor-related goods.[65] Singapore's top exports to the United States include food products, pharmaceuticals and medical devices, semiconductor manufacturing equipment and related products, and refined petroleum.[66]

The United States was the top foreign direct investor in Singapore in 2024 with investment stock of $611 billion.[67] U.S. investment in Singapore lies primarily in nonbank holding companies, manufacturing (including petrochemical, electronics, pharmaceuticals, machinery, and equipment), financial services, and wholesale trade.[68] More than 5,700 U.S. companies operate in Singapore, and many use the country as a regional headquarters.[69] Singapore's FDI stock in the United States totaled $52 billion in 2024.[70]

The U.S.-Singapore FTA is the United States' only bilateral FTA in Southeast Asia.[71] The U.S.-Singapore FTA was signed in 2003, as part of the Bush administration's push to strengthen ties with countries that were important partners in the fight against terrorism in the post-9/11 period.[72] Since then, Singapore's efforts to deepen formal trade and investment ties with the United States have proceeded in fits and starts. Singapore was an active participant in negotiations for the TransPacific Partnership, which the United States withdrew from at the start of the first Trump administration. Singapore also participated in negotiations for the Indo-Pacific Economic Framework (IPEF) during the Biden administration. Despite the low ambitions of that agreement, the United States failed to get domestic political consensus for the crucial trade pillar of IPEF, leading to another U.S. failure to strengthen the trade architecture in the region.

In the second Trump administration, Singapore has fared better than many other countries. It initially received a reciprocal tariff rate of 10 percent, which was the lowest rate available to trading partners.[73] However, Singapore remains vulnerable to additional product-specific tariffs through the ongoing national security investigations under Section 232 authorities, including on key exports such as semiconductors and pharmaceuticals.[74] More fundamentally, Singapore is a staunch proponent of the World Trade Organization and the rules-based trading system, which it sees as critical to protecting its economic interests as a small, trade-dependent nation and which the Trump tariff actions have seriously undermined. As a result, Singapore's leaders now openly question the future role of the United States as a leader in the global economic order.[75]

Institutional Factors

Historically, Singaporean policymakers have been skeptical of sanctions as a foreign policy tool. At the same time, Singapore has a mature, sophisticated, and well-resourced infrastructure for the monitoring and enforcement of sanctions should it choose to do so.

Singapore's institutional capacity is primarily focused on implementation of sanctions authorized by the UN. One notable exception to this is when the country imposed its own autonomous sanctions and export controls on Russia in the wake of its invasion of Ukraine in 2022, citing the lack of UN measures due to Russia's veto and Russia's "clear and gross violation of international law."[76] This shows that Singapore has the ability to act on its own when warranted, particularly if the UN is not an option, which would almost certainly be the case in a Taiwan contingency given the PRC's veto at the UN Security Council.

Enforcement of financial sanctions is led by its central bank, the Monetary Authority of Singapore (MAS), which has significant experience implementing sanctions through domestic notices and regulations. MAS draws its authority to implement UN-issued sanctions for financial institutions under the Financial Services and Markets Regulations, issued pursuant to the Financial Services and Markets Act of 2022. Non-financial institutions are covered by the UN Act from 2001, which gives the Singaporean minister of law power to make regulations relevant to UN sanctions requirements. Both authorities provide for enforcement actions, including fines and penalties. In the case of its Russia measures, MAS issued a series of notices outlining prohibitions based on a framework put forth by the Ministry of Foreign Affairs.[77]

Singaporean policymakers have been skeptical of sanctions as a foreign policy tool.

For trade sanctions, Singapore Customs, a body under the Ministry of Finance, acts as the lead agency for enforcement of trade measures, working closely with the Ministry of Trade and Industry, which sets trade policy. Singapore Customs draws its authorities from the Strategic Goods (Control) Act of 2022 and the Regulation of Imports and Exports Regulations, with Singapore aligning its measures with multilateral export control regimes and UN Security Council measures, in addition to its autonomous Russia measures.[78] These agencies coordinate to align on Singapore's approach and to provide guidance to the business community and broader public.

In its recent history, Singapore's approach to most non-UN sanctions has often been to avoid formal enforcement, while quietly encouraging its companies and financial institutions to comply. One way Singapore does this is for its regulatory authorities to put out a formal advisory notice of sanctions-related risks to the entities it oversees, without imposing sanctions itself.[79]

Though this does not make compliance mandatory, it sends a strong message, and institutions in Singapore often comply. This is particularly true in the financial space where, even without regulatory notices, Singaporean financial institutions remain heavily reliant on the U.S. dollar and therefore would almost certainly comply with any U.S. sanctions. In the trade space, Singapore Customs has published a list of red flags related to trading activities prohibited by UN measures. Like the approach on financial sanctions, the list also includes details on trade sanctions from other countries, such as the United States, as a guide, even though it notes that Singapore does not formally impose such measures.[80]

This institutional capacity notwithstanding, enforcement of sanctions in Singapore remains imperfect. Recent press reporting has highlighted the role of shell companies and intermediaries based in Singapore that have facilitated the flow of banned goods to Russia and China. These entities are often part of complex, transnational networks that have emerged to facilitate sanctions and export control evasion, challenging the U.S., Singaporean, and partner efforts to maintain sustained economic pressure via sanctions.[81]

U.S. Asks of Singapore—A Compliance-First Approach

In a Taiwan contingency, the United States would want to engage deeply with Singapore on proposed sanctions given Singapore's role as a trading and financial hub for the region. The United States should prioritize outreach efforts there to ensure that Singapore-based financial sector, shipping, and trading companies are informed on the specifics of any U.S. sanctions imposed and to push for broad-based compliance. However, the United States should anticipate strong pushback to any suggestions that the Singaporean government impose its own sanctions. A U.S. approach that prioritizes tacit support from Singapore and its assistance in ensuring compliance of Singapore-based companies with U.S.-imposed sanctions is likely the most viable way to pursue alignment with Singapore under any contingency scenario.

In an intensified gray-zone scenario, a compliance-focused approach should be non-controversial. U.S. sanctions are likely to be limited at this stage. Compliance would have little impact on Singapore's foreign policy equities, as it would not force Singapore to make a larger choice between the United States and China. Singaporean financial institutions would likely generally freeze the accounts of Chinese individuals or entities sanctioned as a matter of course, due to their own concerns of being the subject of U.S. enforcement actions.

A compliance-first approach also has benefits in the short-duration and long-duration conflict scenarios. In either scenario, the main U.S. focus would be on cutting off China's trade and financial links to the rest of the world that connect via Singapore, and it would actively engage to promote compliance among Singaporean-based companies. Tacit support from the Singaporean government takes on heightened importance in these scenarios, given an assumption of more severe and numerous sanctions, and the United States would likely push for stronger compliance and enforcement support from the government.

The United States may push Singapore to impose its own measures, even if limited—such as sanctions on a handful of Chinese military officials involved in the Taiwan crisis—as a show of political unity from the region. In the long-duration conflict, Singapore should expect intensified U.S. pressure, particularly if any Americans have lost their lives in a military defense of Taiwan. The prospect of any Singaporean sanctions will be highly contingent upon the nature of how the crisis began, with strong reluctance to impose sanctions if Taiwan is viewed as an instigator. It may also hinge on the degree to which the United States is balancing the strategic value of Singaporean sanctions against other U.S. requests, such as those related to U.S. military operations that require access to Singaporean assets, as well as how much political pressure the United States places on Singapore.

For its part, Singapore views sanctions on China as a highly sensitive issue and may welcome—or at least tolerate—a U.S. approach that does not try to pressure it to actively join any sanctions campaign. Though the gray-zone scenario would cause minimal concern as noted, the short- and long-duration conflicts would create more challenges. Given its emphasis on de-escalation, Singapore may not want to impose sanctions if doing so is seen as escalatory or risks provoking Chinese retaliation against Singapore. Such caution has precedent, and it is possible that the PRC would seek to punish Singapore were it to provide even minimal levels of support to the United States and its partners. In 2016, for example, the PRC expressed displeasure over what it viewed as Singapore's support for rival nations who oppose its maritime claims in the South China Sea by impounding Singaporean Terrex infantry carrier vehicles in Hong Kong, releasing them several months later and sparking a diplomatic incident.[82]

Singapore views sanctions on China as a highly sensitive issue and may welcome—or at least tolerate—a U.S. approach that does not try to pressure it to actively join any sanctions campaign.

Even if Singapore does not impose its own sanctions, the PRC's response to U.S. sanctions could present hard legal and diplomatic questions. Singapore has noted that it encourages its companies to be aware of compliance risks associated not just with U.S. sanctions but with any sanctions imposed by another country.[83] In an escalating Taiwan crisis, it is plausible that Singapore-based companies would be faced with two sets of contradictory sanctions measures. For example, the PRC could impose sanctions on any company that is complying with U.S. sanctions. Singaporean authorities would be placed in a difficult position in trying to provide clear guidance to their financial institutions and companies, particularly if Singapore tried to stay neutral. U.S. and other Western companies operating in Singapore would likely comply with the U.S. sanctions regardless. Major Singaporean financial institutions would face a harder, more existential choice when deciding which government to anger through noncompliance.

Overall, though, consistent with its general foreign policy balancing act, Singapore may see that tacit, quiet support for U.S. sanctions—without actively joining any sanctions coalition—is the most viable option across a range of scenarios.

India

India has long been skeptical of sanctions, staunchly opposing any unilateral sanctions imposed by countries outside of the UN process.[84] However, India's ambitions to be a major security provider in the Indo-Pacific, coupled with its deep concerns with the PRC's threats to regional and border security, mean that a Taiwan contingency would meaningfully implicate India's interests. India could find common cause with Taiwan and the United States to deter or respond to PRC aggression toward Taiwan, though its contributions to a coalition are most likely to be diplomatic in nature. India lacks substantial economic ties that could be weaponized to deter or respond to PRC aggression, and its limited institutional capacity to design, implement, or enforce sanctions would present a meaningful constraint. India can, however, play an essential role in building economic resilience, including through serving as an alternative manufacturing and technology hub for firms seeking to diversify away from China. A long-term resiliency partnership could strengthen both U.S. and Indian sanctions options in the event of a Taiwan contingency.

Geopolitical Factors

India's position in any Taiwan contingency will take account of the complex web of geopolitical relationships it has with Taiwan, the PRC, the United States, and the Global South. India's position on Taiwan's status is partly a function of the PRC's contestation of India's own territorial integrity, including at the disputed Sino-Indian border. The U.S.-India strategic relationship had been nurtured by both sides to counter the PRC. But recent tensions arising from the Trump administration's punishing tariffs, along with its posture during regional disputes involving India, jeopardize progress toward stronger economic and security cooperation.[85] India's long history as a nonaligned country and leader in the Global South presents both opportunities and constraints, as a strong Indian role to counter PRC aggression toward Taiwan would be influential but would require India to embrace rather than resist alignment with the United States and other allies. The status and relative potency of each of these geopolitical factors at the time of a potential Taiwan contingency are hard to predict. The one thing that is clear is that India will approach any contingency based on its own assessment of its strategic interests, rather than simply aligning for the sake of alignment.

> India lacks substantial economic ties that could be weaponized to deter or respond to PRC aggression.

Linking Taiwan Policy with Evolving Hostility Toward the PRC

India was one of the earliest countries to recognize the PRC as the official government of China, switching official recognition away from Taipei in 1949. This early show of support, however, was done largely for pragmatic rather than principled reasons, and India's relations with Taiwan have ebbed and flowed in the years since as India's perceptions of its interests have evolved. In recent years, India's stance has shifted in Taiwan's favor, due to a mix of growing India-Taiwan economic ties and deterioration of India's relationship with the PRC.

India has come to view its self-interest as part of a broader Indo-Pacific region, which includes East Asia, and it relies on a free and open Indo-Pacific for its economic and security interests. It has growing trade in the Indo-Pacific region, including trade that transits through the Taiwan Strait and the South China Sea.[86] India has expanded naval operations throughout the Indo-Pacific to provide security for shipping lanes and other functions, such as disaster response and antipiracy operations.[87] This has included expanded operations in India's traditional home court of the Indian Ocean, new engagements and bilateral exercises with littoral states of the South China Sea, and multilateral exercises with partners in the Quad group (i.e., United States, Australia, and Japan), though none yet through the Taiwan Strait.[88]

Competition with the PRC has been a significant driver of India's strengthened role as a provider of security in the Indo-Pacific. The PRC's escalating gray-zone activities have sparked concern in New Delhi, as they are seen as undermining the regional security that India seeks to uphold. Indian officials, for example, strongly rebuked the PRC's expansive military exercises around Taiwan following the visit of then–Speaker of the House Nancy Pelosi in 2022, and they urged "the exercise of restraint, avoidance of unilateral actions to change status quo, de-escalation of tensions and efforts to maintain peace and stability in the region."[89]

PRC aggression toward Taiwan is seen by Indian officials as impacting India's hard security interests, as the fate of Taiwan has potential implications for the security of India's 3,500-kilometer border with China. Disputed territorial claims along the Sino-Indian border are a long-standing source of tension, which periodically boils over into active clashes. India's diplomatic relationship with the PRC was severely strained following violent clashes in Ladakh's Galwan Valley in 2020, in which both sides saw loss of life. Tensions have remained high, with significant clashes occurring in 2021 and 2022, resulting in increasing militarization along both sides of the border.[90] The border strife has hardened New Delhi's view of Beijing as a major national security threat. It has also sharpened Indian views on the stakes of any Taiwan contingency. A successful PRC action against Taiwan would extend and secure the PRC's ability to project power eastward, potentially freeing up military and political resources for them to then look westward to the border with India.

> If the PRC wants India's support of a one-China policy, the PRC must adopt a corresponding one-India policy and respect India's own territorial claims.

If an act of PRC aggression toward Taiwan tilted the Indo-Pacific balance in the PRC's favor, India would view this as strongly against its interests. It was this realization in part that pushed Prime Minister Narendra Modi's government to seek deeper economic and security partnerships with nations that are skeptical of the PRC's actions, notably including the United States. This marks a significant shift from India's traditional position of combining nonalignment with skepticism of the West. It also shows that, under Modi, India has a small core of national security decision-makers who are willing to push ahead with difficult, potentially unpopular decisions, if they perceive them to be in the country's long-term interests. As one senior official interviewed for this research put it: "India's view on China has changed in recent years. India views any action against Chinese aggression as in our national interest."[91]

The deterioration of the relationship with the PRC over territorial issues has a corresponding impact on India's diplomatic stance on Taiwan. In prior decades, India consistently avoided provoking Beijing regarding Taiwan. It saw its neutrality on Taiwan as an important way to manage the risk that the PRC would intervene in India's own territorial disputes in contested areas, such as Kashmir. As tensions with the PRC rose, India assessed that its position was not reciprocated by the PRC and that acquiescence regarding Taiwan carried more security risks than diplomatic benefits. It now asserts that if the PRC wants India's support of a one-China policy, the PRC must adopt a corresponding one-India policy and respect India's own territorial claims, including along the contested border.[92]

As its relationship with the PRC declines, India has made tentative steps to improve relations with Taiwan, sending a deliberate diplomatic signal to Beijing. Taiwan's New Southbound Policy, which seeks to deepen its regional integration throughout the Indo-Pacific, has helped India recognize Taiwan's seriousness in improving ties, while India's growing role in the Indo-Pacific region has made it a more attractive partner for Taiwan.[93] Indian-Taiwanese trade has also grown substantially in recent years.[94] Much of India's growth in the digital economy, including its prominent global role in sectors such as e-commerce and IT services, relies on the continued flow of semiconductors from Taiwan, heightening the importance of Taiwan for India's economic security.[95]

India's evolving position on Taiwan is defined by a clear-eyed assessment of India's strategic interests and its growing economic ties with Taiwan. The status of Taiwan as a thriving democracy is less influential. Despite India's status as the world's leading democracy, it resists being drawn into geopolitical contests that position democracies against autocracies or that are justified by a call for preservation of the existing rules-based order, which India has often criticized.[96] India's tradition of nonalignment, dating to the Cold War, remains a dominant strain in its foreign policy strategy. Its moves to align more closely with the United States are much more about its direct interests in its own competition with the PRC rather than a broader desire to uphold the global security and economic order.

A U.S. Partnership on the Rocks

As India seeks to compete against the PRC, its economic and security partnerships with the United States, along with key economies in Asia and Europe, have deepened. A common concern for the threats caused by PRC's rise is one major explanation for this improvement, although by no means the only one. India is also playing a more significant regional role, both in new institutions such as the Quad, and in existing global multilateral formats such as the G20, which it chaired in 2023. U.S. officials previously called India the most important partner for the United States in the 21st century, recognizing the strategic value of leveraging joint capabilities in emerging technologies as well as India's critical role in Indo-Pacific security.[97]

However, India's relationship with the United States has experienced disruption under the second Trump administration. India was subject to harsh U.S. tariffs and negotiations to lower the tariff rates in exchange for Indian concessions on trade issues, which faltered several times before a framework deal was announced in early 2026.[98] India reacted strongly to the tariff actions, criticizing the Trump administration and taking steps to thaw its relationship with China, including by having Modi fly to China and publicly embrace President Xi Jinping during a meeting of the Shanghai Cooperation Organization.[99] India-Pakistan conflicts, including the 2025 terrorist attack on Indian tourists in the disputed Kashmir region, and U.S. tightening of ties with Pakistan have further raised tensions.[100]

These developments have caused some in New Delhi to call for the country to rethink its ties with the United States. At the same time, India's reported courting of China may turn out to be more performative than substantive, as India seeks leverage in its negotiations with Washington. Rather than forcing India into China's corner, the hard-knuckled U.S. approach may instead reinforce India's natural tendencies toward nonalignment, as its independent concerns with the PRC remain regardless of the trade and other foreign policy disputes with the United States.

Role in the Global South

During the Cold War, India was a founder of the nonaligned movement, which attempted to represent the interests of those states that were neither Western- nor Eastern-bloc. Since then, this role has developed as the country has used its increasing international economic and political clout to position itself as a leader of the Global South. India does not have an inherent inclination to support the existing rules-based order, which it views as a construct of Western powers—a view shared by many countries in the Global South. Modi has spoken about the need for the Global South to have a key voice in international affairs, given that it holds the majority of the global population, and he has positioned India as a champion of these efforts.[101] India has also tried to position itself as a bridge between the West and Global South, including during the Ukraine War in which it has maintained relations with Russia, the United States, and Europe, while claiming consistency with the rest of the Global South's position.[102]

India's stance in any Taiwan contingency would be influential for countries throughout the Global South. Taiwan's unclear status combined with the Global South's disinclination to take actions simply to counter the PRC or uphold a rules-based order may be significant hurdles in building diplomatic support for Taiwan among Global South countries. These difficulties would be compounded by China's deep economic ties with the Global South, where it is most often the largest trade and investment partner. Most Global South countries may be primarily concerned with avoiding the blast radius from any conflict in the Taiwan Strait or major sanctions actions against China, both of which would have far-reaching and negative effects across the global economy.[103]

For Global South countries, India is among those most likely to be willing to censure the PRC. Indian public opinion has turned against China, with polling by Pew Research indicating that the majority of Indians hold negative views of China, an outlier among middle-income countries.[104] If Taiwan and the United States want to build support in the Global South, India would be both an essential partner and one that is perhaps the most strategically inclined to find common ground with a sanctions coalition.

> For Global South countries, India is among those most likely to be willing to censure the PRC.

India's diplomatic positioning on the Russian invasion of Ukraine offers some lessons, but these may not directly translate to how India's role would unfold in a Taiwan contingency. The United States and other sanctioning countries have been disappointed in India's fence-sitting in the Ukraine conflict.[105] India, which has enjoyed warm relations with Moscow, has consistently been among the few dozen countries to abstain from UN resolutions condemning Russia's invasion.[106] It has also continued commercial engagement with Russia, including energy purchases, when doing so does not place it at risk of U.S. secondary sanctions or other enforcement actions.[107] The continued questions over the effectiveness of the protracted sanctions campaign against Russia have likely reinforced India's natural skepticism of sanctions, in addition to its political inclination to remain on good terms with Russia.

India's relationship with the PRC, however, is fundamentally different than its relationship with Russia, and India is typically more willing and eager to criticize Beijing. A stronger Indian voice against PRC aggression toward Taiwan could be an important new variable in influencing the overall direction of the Global South, one that could weigh more heavily in Taiwan's favor than India's role has vis-à-vis Ukraine. Whether this translates into Indian or Global South support for sanctions remains unclear, however, as the economic structure of ties to China may render sanctions less valuable than other strategic contributions to a coalition in support of Taiwan. Diplomatic support and strong compliance efforts to support U.S. sanctions among the Global South may be a more reasonable, if still high-ambition, expectation for the United States.

Economic Factors

While India has a political impetus to censure the PRC for any attempts to alter the status quo on Taiwan, the structure of India's economic ties constrains its ability to impose meaningful sanctions on China. India's trade with China is lopsided, with India heavily relying on imports from China in several critical sectors and virtually no areas in which China is dependent on India. India is far more vulnerable to weaponization of the bilateral trade than China is. India has an important interest in its growing trade ties with Taiwan, but these remain a marginal percentage of its trade with China. India's economic relationship with the United States is more balanced, with substantial trade and investment ties flowing in both directions, raising the possibility that deeper engagement with the United States can counterbalance the costs of derisking from or sanctioning China. However, with the onset of heavy U.S. tariffs, trade policy has become a source of risk rather than opportunity in the U.S.-India bilateral relationship.

Trade and Investment with Taiwan

Although trade between India and Taiwan has grown recently, rising from roughly $1 billion in 2001 to more than $13 billion in 2024, Taiwan remains a far less important trade partner for India than either China or the United States.[108] Taiwan accounted for about 1 percent of Indian imports and about 0.6 percent of Indian exports between 2022–2023.[109] Taiwanese exports to India far surpass Indian exports to Taiwan, with Taiwanese exports of semiconductors accounting for a large portion of overall trade.[110]

Taiwanese companies, like American and European companies, are trying to shift supply chains out of China, leading India to become an increasingly significant recipient of Taiwanese investment.[111] As a result, Taiwanese investment in India has far surpassed Indian investment in Taiwan. According to the Taiwanese Ministry of Economic Affairs, by the end of 2024, Taiwan's investments in India totaled approximately $1.6 billion, while India's investments in Taiwan involved totaled just $86 million.[112] Much of Taiwan's investment in India has been in the country's electronics manufacturing, information and communication technology, automotive, shipping, finance, and construction sectors.[113] There nonetheless remains significant room for Taiwan to deepen its investment in India, as Taiwanese FDI accounts for less than 1 percent of total FDI in India.[114]

Trade and Investment with China

China recently became the top trading partner for India ahead of the United States.[115] However, the trade relationship between the two countries is highly skewed, with India importing more than $100 billion from China in FY24 (18 percent of all Indian imports) and only exporting approximately $17 billion.[116] There is also a stark imbalance in the type of goods China and India export to each other. India's exports to China are predominantly raw materials, such as diamonds, iron ore, and ferroalloys.[117] Conversely, high-end products such as electronics and industrial machinery account for a significant share of China's exports to India.[118]

India has become reliant on Chinese imports in a wide range of sectors that are vital to its national and economic security.[119] China accounts for the majority of India's imports of electronics, telecommunications equipment, active pharmaceutical ingredients, medical equipment, industrial machinery, and solar panels and is a significant provider to India of inputs and finished products in the automobile, plastics, and chemicals industries.[120] More traditional sectors, vital to India's economy, such as agriculture and textiles, similarly depend on imports from China.[121] The Indian government has sought to mitigate India's reliance on its trade partners by promoting domestic manufacturing through the Make in India initiative and by implementing trade policies designed to reduce imports.[122] However, despite these measures and the deterioration of relations between New Delhi and Beijing in recent years, India's trade deficit with China has continued to rise.[123]

In contrast to the trading relationship, investment flows between India and China are relatively limited. Chinese investment in India was $3 billion cumulatively over 2015–2023.[124] Indian investment in China is also fairly minimal, reaching $3 billion cumulatively between April 2000 and March 2025.[125] While already modest, bilateral tensions have contributed to a decline in investment flows between the two nations in recent years.[126] Following clashes along the border with China in 2020, India banned approximately 250 Chinese apps, including TikTok, significantly tightened its scrutiny of Chinese investment, and introduced new rules requiring government approval of any investment from countries bordering India—which in practice was targeted at China as the only border country with meaningful investment flows.[127]

Although Chinese investment in India is relatively small, Chinese companies such as Alibaba, ByteDance, Huawei, Xiaomi, and Tencent have made significant inroads into India's digital commerce and electronics sectors.[128] Chinese companies have made substantial investments in India's infrastructure, energy, and automobile sectors, and Chinese EV companies, such as BYD, have expressed interest in opening facilities in India.[129] Some Indian officials, including Chief Economic Advisor V. Anantha Nageswaran, have argued that more Chinese investment could help the country's economic growth and would be greatly preferable to continuing to increase trade with China. However, this view has faced resistance from other members of the ruling Bharatiya Janata Party (BJP).[130]

Trade and Investment with the United States

Amid a deepening of the broader U.S.-India partnership over the past decade, economic cooperation between the two countries has increased substantially. U.S.-India trade nearly doubled between 2014 and 2022.[131] In contrast to its trade deficit with China, India maintains a trade surplus with the United States. Bilateral trade in 2024 was $212 billion, though it slowed in 2025, potentially due to U.S. tariffs.[132] The United States is the destination of nearly one-fifth of Indian exports, including being the largest market for India's pharmaceutical, textile, and agriculture industries.[133] Although more reliant on Chinese imports, India receives a significant amount of imported goods from the United States, including oil, gas, coal, various manufactured goods, medical equipment, and aerospace products and parts.[134] The United States has also become an important source of defense goods for India.[135]

In contrast to the relatively limited FDI flows between India and China, India has established a strong and increasingly significant investment relationship with the United States. The United States is currently the third-largest direct investor in India, with more than $58 billion invested in 2024.[136] The United States was also the second-highest destination for Indian direct investment in fiscal year 2022–23 after Singapore, at $1.5 billion.[137]

These increased trade and investment ties reflect the potential that India has to become a leading partner for U.S. derisking efforts. The United States and India share a strategic interest in countering Chinese economic dominance in critical sectors. India also has suffered the negative impacts of China's rapid growth in manufacturing and push to export its excess capacity to other markets, and the fact that China's growth rate has sharply outpaced that of India's for the past two decades has not gone unnoticed.[138] The country's reliance on imported Chinese goods is seen as an unwelcome vulnerability, and India has a strong political motivation to support broader efforts to address China's dominance in global manufacturing, especially if doing so can bolster India's own capabilities.

However, the punishing tariffs imposed by the second Trump administration complicate the potential for more derisking cooperation. India has at times faced 50 percent country-wide tariffs, as well as the potential for further tariffs on specific products, arising from ongoing trade investigations under the U.S. Section 232 authorities. India lagged behind other major trading partners in striking a deal with the United States to lower the tariff rates, reflecting the stubbornness of long-standing trade irritants in the relationship and the resistance of Indian officials to capitulate to the Trump administration.[139] At times, India's exports to the United States have dropped almost 40 percent.[140] The tensions disrupt bilateral trade directly and also complicate the plans of multinationals seeking to move supply chains out of China and into India, as products manufactured in India now face new hurdles to access the vast U.S. consumer market. Continued tensions on the trade front will make closer alignment on any counter-China efforts less politically viable, even if undertaking such efforts would be in both countries' strategic interests.

Institutional Factors

Historically, India has been skeptical of sanctions as a tool of foreign policy, viewing them as a mechanism used by "the West against the rest." Although New Delhi has generally complied with UN-backed sanctions, it has opposed unilateral measures. It has also been a target for such measures, notably after its nuclear tests in 1974 and 1998. "It has not been India's foreign policy method," as Minister of External Affairs S. Jaishankar put it recently. "Sanctions are something which are very much rooted in a Western . . . or a G7 way of working, because they control the means to apply the sanctions."[141] This general skepticism translates into minimal bureaucratic capacity to impose or enforce sanctions.

India does not have an autonomous sanctions regime. Its legal framework primarily allows for implementation of UN sanctions, including fines and penalties for violations.[142] However, India has taken sanctions-like actions targeting China in certain cases, and these were done outside the UN context. As noted previously, India banned certain Chinese technology apps, including TikTok, as a result of the 2020 border dispute and implemented restrictions on Chinese investment in India. Beyond this, however, India has little experience developing and enforcing autonomous sanctions.

More positively, India's regulatory bodies have significant experience navigating the application of U.S.-led sanctions that affect Indian businesses. For example, India, along with a range of other countries, cooperated with the United States on Iran sanctions in the mid-2010s, including to facilitate an overall reduction of purchases of Iranian oil. India was persuaded to go along with the U.S. sanctions approach in part due to a concerted U.S. effort to work with India to develop alternative energy sources, combined with the potential threat of U.S. secondary sanctions.[143]

At the same time, India has been willing to entertain the idea of alternate payment systems that would enable cross-border transactions without relying on U.S.-dominated infrastructure, such as Europe's (ultimately unsuccessful) effort to stand up the Instrument in Support of Trade Exchanges (INSTEX) network after disputes with the United States over Iranian secondary sanctions, or its own Structured Financial Messaging System.[144] The United States has also designated various Indian individuals and business groups for trading with or supporting Iranian entities, as well as for support for Russia's sanctions evasion efforts.[145] These dueling outcomes can be explained in part by the fact that it is easier to monitor the activities of a relatively small group of oil importers and refiners than to try to prevent broader circumvention efforts. However, it also shows that India could potentially adequately enforce a set of targeted sanctions or help promote tacit support in certain key areas if the government supports the approach and deems it part of its core security concerns.

Were it to join a sanctions coalition, India would have only a limited ability to introduce protective measures against potential PRC reprisals, given its broad range of potential economic and security vulnerabilities. It could introduce some fiscal support, however, which it did during COVID by putting in place measures amounting to spending of about 10 percent of GDP, in line with other emerging economies.[146] For example, India used a new infrastructure linking welfare payments to mobile phones to provide cash subsidies directly to citizens.[147] Similar payments could be used to cushion the economic disruption caused by a major macroeconomic shock linked to a Taiwan contingency. India would likely also need to provide sector-specific support to industries, such as electronics and pharmaceuticals, that would be especially impacted by disruptions of imports from China.

U.S. Asks of India—A Diplomatic and Derisking Partner

A decade ago, it would have been inconceivable to imagine India joining a Western-led sanctions coalition of any kind. Today, it is at least plausible that India might consider joining such a coalition in the run-up to or during a Taiwan contingency. It is also possible to imagine India undertaking independent actions of its own, outside of a U.S.-led coalition construct, given its assessed security interests in Taiwan's status. That said, India's position on sanctions remains hard to judge in advance and would depend crucially on the circumstances of any PRC action, as well as the PRC's posture toward India at the time.

Indian officials tend to begin discussions on Taiwan by noting that their response to any potential scenario remains heavily context-dependent. A scenario that involved either perceived Taiwanese or American provocation, for instance, would be viewed differently from one involving PRC provocation. Even in the clearest scenario—an unprovoked, unequivocal act of PRC aggression with respect to Taiwan—India would likely first seek potential diplomatic solutions, making participation in any preemptive sanctions actions highly unlikely. The nature of any sanctions coalition would also matter. It would be hard to imagine India becoming the only country from the Global South to join a putative coalition. The inclusion of other lower- and middle-income states would be essential to provide New Delhi with diplomatic cover.

More important still would be the ability of India's government to make a case that the PRC's actions were directly threatening its own economic and security interests. India would have no interest in supporting action on the grounds of abstract principles, be that protecting a fellow democracy or preserving a rules-based order—an order that, in general terms, New Delhi would in any case prefer to replace. But any major PRC action against Taiwan would likely have a direct impact on India's economy, notably via disruptions to global supply chains. It would also likely be viewed as a cause of major geostrategic disruptions to the regional order in the Indo-Pacific and to do so in ways that were likely to be viewed as against India's core interests.

Ultimately India's decision would flow from a hard-headed assessment of its national interests. This would have to include a calculation of the costs that the PRC could impose on India for participating. These costs could plausibly include an escalation of military activity on the border in the Himalayas, or economic countermeasures in which the PRC restricted exports of particular goods to India. Research for this paper suggests that senior officials in India's Ministry of Finance are wary of the economic costs that the PRC could impose upon Indian supply chains, informed in part by the lesson of restrictions and supply shortages during the COVID-19 pandemic. Potential economic costs would therefore also figure in any calculation of self-interest.

> The United States should instead prioritize India's role as a partner in building deterrence through resiliency.

In the intensified gray-zone scenario, India would likely be willing to engage diplomatically to censure PRC aggression under certain conditions (i.e., a crisis is not prompted by irresponsible Taiwanese provocations). This would follow the pattern of official statements India has already made underscoring the importance of the status quo in the Taiwan Strait, including after prior instances of expanded military pressure on Taiwan, such as the People's Liberation Army training exercises around Taiwan following Pelosi's visit.[148] Diplomatic support for Taiwan, and an Indian role to encourage additional shows of support from other Global South countries, is likely to be the most impactful area of Indian engagement in intensified gray-zone scenarios. India is unlikely to join in preemptive or deterrent sanctions, not least because it is unclear whether the United States or other G7 countries would do so.

In any pre-conflict period, including both intensified gray-zone and more steady-state scenarios, the United States should instead prioritize India's role as a partner in building deterrence through resiliency. U.S. and G7 reliance on China's manufacturing base present worrisome vulnerabilities in any Taiwan contingency, as the PRC would have ample options to inflict economic pain on the United States and its allies as it seeks to prevent or retaliate for their support of Taiwan. Building resiliency against PRC economic coercion is an important element of a broader strategy to deter PRC aggression. But shifting supply chains and rebuilding manufacturing capacity outside China is a long-term endeavor, not one that can be quickly turned on when a conflict becomes imminent.[149] The private sector had already begun to shift certain operations to India as part of their efforts to diversify supply chains against geopolitical risk.

In short- or long-duration conflict scenarios, a U.S. emphasis on diplomatic support could be combined with a U.S. push to ensure the compliance of Indian firms with U.S. and allied sanctions. In a long-duration conflict, the United States is more likely to push India to take affirmative sanctions measures, not just ensure compliance. This could include personal sanctions on key PRC officials, which would likely be imposed by the United States and allies during a protracted conflict. It could also include efforts to deny China access to key export markets as a way to constrain exports as an engine for Chinese economic growth. For this request to be viable, the United States and India would need a plan for substituting lost imports from other sources (again emphasizing the need to develop resiliency well in advance of any conflict).

Germany

Of all the countries studied in this paper, Germany—and the EU more broadly—is the most likely to support a U.S.-led sanctions effort over Taiwan, and the United States should be expected to push it to do so. However, intra-EU political dynamics may constrain an ambitious response by the bloc as a whole, and strong economic ties to China from powerful business constituencies within Germany would provide additional obstacles. The challenge of managing multiple urgent foreign policy crises simultaneously adds further complications.

Geopolitical Factors

More than either India or Singapore, Germany is likely to view any Taiwan contingency through a lens of U.S.-PRC competition and to do so in a way that favors the U.S. position. Germany, along with the rest of the EU, has historically been closely aligned with the United States on security matters and depends on U.S. military might for its own continental security. German views on the PRC, while decidedly mixed, have been hardening, in no small part due to the PRC's support of Russia in the Ukraine conflict, as well as the increasing pressure of PRC economic policy on German industry. While Germany's independent position on Taiwan may be lukewarm at best, it will have strong political incentives to align with Washington in support of Taiwan, though such incentives are complicated by the current U.S. stance toward Europe.

Germany will have strong political incentives to align with Washington in support of Taiwan, though such incentives are complicated by the current U.S. stance toward Europe.

Taiwan Policy in a Multi-Crisis Environment

Germany, like the broader EU and the United States, maintains a one-China policy, holding formal diplomatic relations with the PRC alongside unofficial ties with Taiwan. In recent years, Germany has bolstered its support of Taiwan, in coordination with the EU and the G7. It has supported tougher G7 statements condemning PRC aggression coercion toward Taiwan.[150] In an important military signal, in 2024, the German navy conducted freedom of navigation operations in the Taiwan Strait for the first time in decades.[151] Germany's China strategy, released in 2023, asserts that military escalation in the Strait would impact German and European interests and that the status quo "may only be changed by peaceful means and mutual consent."[152] Such actions represent an overall stiffening of the spine when it comes to Germany's diplomatic position on Taiwan.

At the same time, domestic political factors complicate a future German position on Taiwan, including public opinion, which could be a severe constraint on government actions.[153] Germans struggle to understand why they should care about Taiwan.[154] As many German stakeholders interviewed for this project noted, "Taiwan is not Ukraine."[155] The factors at play for Germans in the Ukraine conflict are not on their minds with Taiwan. Ukraine is close, Taiwan is far; Ukraine is a recognized sovereign state, Taiwan is not; Russian aggression in Europe is an existential threat to Germany's national security, PRC aggression in Taiwan is not.

The threat that Russia presents to European security was often cited as the top threat to Germany's democratic system in interviews conducted for this project. A common view in Berlin is that Russia is poised to invade NATO territory in Europe in the coming two to three years. The failure to resolve the conflict in Ukraine and Russia's increasing gray-zone activities, such as drone incursions over Poland and Romania, amplify these concerns.[156] Against the backdrop of uncertain U.S. support under a second Trump administration, the Russia threat is existential and all-consuming. Concerns over Taiwan, while rising in importance in certain foreign policy circles, seem far more distant compared to these very real and present threats.

The seeming apathy toward Taiwan is also closely connected to Germany's broader views on the security and economic threat presented by the PRC. In some respects, Germany's position on the PRC seems to be hardening. The release of the German government's *Strategy on China* in 2023, which was described by one prominent German expert as a "dark clouds" paper, was an important milestone in the country's evolving and toughening stance on the PRC.[157] The PRC's continued support of Russia, including in the flow of dual-use goods finding their way onto the Ukrainian battlefield, has severely strained relations.[158] Its economic practices are also increasingly seen as a threat to the engine of German economic growth, as China's manufacturing heft expands into areas once dominated by German industry. Important private sector actors, such as the Federation of German Industries (BDI), have called for a stronger defense of EU and German economic interests in the face of unfair Chinese economic practices.[159]

However, in other ways, Germany's actions on China have been slow to prioritize the PRC's role as a systemic rival. Many of Germany's largest corporations are doubling down on the China market, and their myopic views on China have outsized influence in overall German foreign policy.[160] Germany, for example, opposed EU tariffs on Chinese electric vehicles under the prior Schulz government, despite widespread concerns across the G7 about surging Chinese exports to global markets.[161] German support for more recent proposals to establish a European tariff instrument to combat Chinese overcapacity will be an important test of whether policymakers can push forward more aggressive measures to protect the country's industrial base.[162]

An Uncertain Alliance with the United States

The lackluster German position on Taiwan is out of step with the broader security partnership between the United States and Germany. Germany has been one of Washington's closest allies in the post-WWII era, with a strong and enduring relationship. Germany is a fellow member of the G7, G20, and NATO, and Germany hosts more than 50,000 U.S. troops in various bases around the country, including United States European Command and United States African Command (AFRICOM) in Stuttgart.[163] Germany is often one of the first ports of call for the United States when building a coalition of like-minded partners, both in its own right and as a key player that can influence the debate within the EU.

These ties have been tested under the second Trump administration, which has called into question the continued U.S. support for European security on several fronts. The Trump administration has embarked on a controversial Ukraine policy, vacillating between trying to appease Russian President Vladimir Putin and trying to pressure him. Europe has been cut out of key peace discussions, while also having to contend with the possibility that Trump, frustrated with his inability to quickly resolve the conflict, will walk away and cut off crucial arms and intelligence support to Ukraine.[164] More broadly, Germany worries about the continued U.S. commitment to NATO and European security as the United States seeks to shift its force posture to a focus on the Indo-Pacific.[165] The Merz government has taken extraordinary measures in response, including amending the German constitution to enable higher defense spending and committing to meet the new NATO target of spending 5 percent of GDP on defense and related items.[166]

Ties with the United States have also been strained by the Trump administration's aggressive trade policy. The EU, which has competence for trade policy, was forced to agree to a one-sided trade deal with the United States to lower punishing

The lackluster German position on Taiwan is out of step with the broader security partnership between the United States and Germany.

tariff rates. While many in Europe criticized the European Commission for capitulation, the decision could instead be seen as a hard-nosed assessment that the EU needed to prioritize its security relationship with the United States and that agreeing to an unbalanced trade deal was an acceptable cost for keeping America engaged on Ukraine.[167]

The Trump administration's stance on Greenland has also been a serious concern, with tensions spiking in early 2026 after the U.S. president threatened to impose tariffs on any country resisting U.S. intentions toward Greenland. While the tariff threat was eventually withdrawn, European supporters of Greenland had stationed troops there as a deterrent to U.S. aggression, a startling move for ostensible allies.[168] Tensions rose again after the U.S.-Israel strikes on Iran, as the United States pushed allies for support but faced resistance to what many in Europe saw as a U.S. war of choice, one on which they were not fully consulted.[169] Public opinion in Germany regarding the United States has plummeted, with only 39 percent of Germans seeing the United States as a reliable partner (down from 83 percent in 2022) and 84 percent expressing a lack of confidence in Trump to do the right thing regarding world affairs.[170]

Whether rising U.S.-Germany and U.S.-EU tensions will preclude cooperation during a Taiwan contingency is unclear. A combination of less inherent support for Taiwan, a government fighting fires on multiple fronts, and an adversarial rather than cooperative relationship with America does not bode well. At the same time, the EU's support, which would be heavily influenced by German views, would be critical for any meaningful sanctions campaign, both to avoid the use of European assets (such as the euro) as a means to evade U.S. sanctions and to amplify the coercive impact of U.S. sanctions through the heft of Europe's own economic importance to China.

Germany Within the EU

The European regional dynamics will dictate Germany's response to any Taiwan contingency, much more so than India in the Global South or Singapore in ASEAN. Germany is one of the 27 member states of the EU. It is part of the European single market, and the power to regulate trade and impose sanctions resides at the EU, not the member state, level. Germany and other EU member states retain control over national security and foreign policy matters, however, including export control decisions and sanctions enforcement. Any response to a Taiwan contingency will necessarily involve a mess of political wrangling among the EU member states and between the member states and the European Commission.

Views on China vary widely across the EU. At the Commission level, an important milestone was the release of the EU's China strategy in 2019, which highlighted the potential for the PRC to be, in different contexts, a cooperation partner, a competitor, or a systemic rival.[171] Germany's China strategy has adopted this framing, and debate continues on which role the PRC is playing at any given time. The European Commission stance has grown frostier under President Ursula von der Leyen, pushing back consistently on the PRC's support of Russia, which she deemed a "determining factor for our relations going forward."[172] The Commission has also led efforts to expand derisking measures, including foreign investment screening, protective tariffs on EVs, the EU anticoercion instrument, and restrictions on subsidized state investments from outside the EU.[173]

Yet the impression of steadiness at the Commission level skates over the turbulence within the member states. Major European economies are scattered on the need to derisk from China.[174] Central European states rely heavily on Chinese investment.[175] On the other side, countries such as Lithuania have not been afraid to provoke the PRC, including on Taiwan issues, though often at a steep cost of PRC retaliation. The PRC has attempted to exploit these divides. As America has increasingly looked off limits for Chinese economic engagement, the European market has risen in importance for China. This is a problem for Europe, however, if it results in excess Chinese capacity simply being rerouted toward European economies.[176] European analysts are increasingly calling for Europe to pay attention to the multitude of "wake-up calls" it has received from the PRC, including the extreme export controls that the PRC threatened on global rare earths supply in 2025.[177] But the complexity of bringing 27 very different member states along in a robust derisking effort heightens the risk of policy inertia.

> Germany should play a major role in determining the future direction of Europe's China strategy.

Within this mix of competing economic and political impulses, Germany should play a major role in determining the future direction of Europe's China strategy. It is the most populous country in the EU, has the largest economy, and has often been the largest net contributor to the EU budget.[178] Yet, Germany's continued economic dependence on China and competing foreign policy priorities may hamper it from playing as productive a role in leading a European position in defense of Taiwan as perhaps it could.

Economic Factors

Germany has one of the world's largest economies and enjoys substantial trade and investment relationships with both the United States and China. Its trade and investment ties with the United States are deep and mutually beneficial, though the relationship has been shaken by the ongoing trade and foreign policy disputes with the Trump administration. Germany's economic relationship with China, on the other hand, is marked by deeply problematic trade dependencies. Germany's economic ties with Taiwan are much smaller in scope but include critical trade in semiconductors.

Trade and Investment with Taiwan

Total bilateral trade between Germany and Taiwan is small compared to Germany's trade with either the United States or China, reaching just $23 billion in 2024. Integrated circuits were the most significant trade flow between the two countries, accounting for $2 billion of German exports to and $3 billion of German imports from Taiwan.[179] Germany is Taiwan's largest trading partner in Europe.[180] However, Taiwan is only Germany's fifth-largest trading partner in Asia, though it is a critical source of chips.[181]

Germany and Taiwan are seeking to increase industrial collaboration in the critical chips sector. For example, in 2023, the Taiwan Semiconductor Manufacturing Company (TSMC) announced that it would open its first manufacturing facility in Europe in Dresden, Germany.[182] The €10 billion factory is a joint venture; TSMC has 70 percent ownership, and three European partners share the other 30 percent.[183]

Trade and Investment with China

Germany is deeply dependent on China economically. China has been Germany's largest trading partner for almost a decade, with bilateral trade standing at $285 billion in 2025.[184] Germany's export-led economic model has relied on access to the China market, including in leading sectors, such as the vaunted German automobile sector. Other trade-reliant sectors are tied to Germany's industrial infrastructure, including chemical production, robotics, and construction. Yet, this reliance on trade has turned decisively against Germany, as it now imports more from China than it exports there, including in sectors such as autos that were previously a source of export strength.[185] Like other major industrialized economies, Germany is highly dependent on China for rare earths for substantial portions of its industrial and technological manufacturing.[186]

> Germany's economic relationship with China is marked by deeply problematic trade dependencies.

Total German FDI stock in China was $129 billion in 2024, declining for the first time after 10 years of growth.[187] Germany accounts for the largest share of European investment flowing into China, and the auto sector accounts for the largest share of German FDI flows.[188] Chinese FDI stock in Germany was smaller by a degree, at $12 billion.[189] For context, Germany's most important investment partners—for both inbound and outbound flows—are first within Europe, followed by the United States, and China ranks a distant third.[190] Germany is an outlier, even by European standards, with its economic exposure to China nearly double that of the European average.[191]

The German private sector has been divided on China, with some industry stakeholders aligning with a derisking agenda and others clinging to the declining promise of the China market. The proportion of German firms exiting the Chinese market or building China-independent supply chains has risen, with firms citing geopolitical risks and increased competition from Chinese companies among the factors influencing this decision.[192] Firms in Germany's Mittelstadt, the family-led, small- and medium-sized enterprises in Germany's heartland that account for the largest share of the country's output and workforce, are hedging their bets in China.[193] Suffering from unfair business practices in China, along with intensifying competition from local competitors, these firms are increasingly hiving their China operations off from their global business.[194] Influential industry groups have raised concerns about the economic security risks from China, notably the BDI, which published a striking policy paper in 2019 calling for a stronger German response to China's state-led economic model.[195]

These views, however, are far from universal in the German private sector.[196] The largest German multinational companies seem to have a more fatalistic view, assessing that consequences of a Taiwan crisis would be so catastrophic that there is no sense in preparing or derisking.[197] They are heavily invested in China and divesting is simply not seen as a commercially viable option; German FDI in China has accounted for the large majority of EU investment in China in recent years, often concentrated in the auto industry.[198] Many have conducted thorough internal assessments and understand the risks but have decided to proceed as normal until a crisis forces them to change their behavior. In the meantime, they are focused on deriving the last profits they can in the China market before surging Chinese competition forces them out. The big, pro-China companies have significant influence with German policymakers, though may be out of step with the growing hardening of views on the PRC among German and EU national security communities.

Trade and Investment with the United States

Germany's economic relationship with the United States is equally important as its relationship with China. U.S.-German bilateral trade reached $272 billion in 2025, just shy of the volume of bilateral Chinese-German trade.[199] Top traded sectors include machinery and mechanical appliances, automobiles and auto parts, pharmaceutical products, chemicals, and plastics.[200]

Germany's investment ties with the United States are stronger than those with China. The United States is the most important FDI destination for Germany outside of Europe, with FDI stock totaling more than $540 billion in 2024.[201] The United States benefits from this German investment, as Germany is a top foreign employer in the United States and among the top sources of FDI overall.[202] Major investment sectors include manufacturing, chemicals, and information technology. U.S. FDI into Germany is also significant, with FDI stock totaling $117 billion in 2024. A number of U.S. companies have made major investment announcements in Germany, including in advanced technology sectors.[203]

Despite the health and mutual benefit of the U.S.-Germany economic relationship, ties are likely to continue to be strained by the Trump administration's trade policy. Europe has succeeded in getting U.S. commitments to lower some tariffs, including elimination of tariffs on a limited number of industrial goods and maintenance of a 15 percent tariff on autos.[204] Europe has also committed $600 billion of investment as part of its broader trade deal with the Trump administration.[205] Despite reaching a deal in July 2025, the trade relationship remains fragile, with ongoing and tense discussions on what Europe must do to maintain the deal and pushes from both sides to address long-standing irritants in the relationship.[206] Geopolitical flare-ups over issues including Greenland and Ukraine may further strain ties. The ongoing turbulence will have impacts for exporters and investors on both sides of the relationship, with some early signs that German firms are reassessing their U.S. strategy.[207]

Institutional Factors

Germany's institutional capacity to implement sanctions is intrinsically tied to EU capabilities. Financial sanctions are an EU competency and are therefore determined at the EU level. All sanctions decisions within the EU must be unanimously agreed on among all 27 member states. This process begins with a proposal from the High Representative of the Union for Foreign Affairs and Security Policy (HR) or a member state, with drafting of the proposal done with the European Commission and jointly presented to the European Council for review and discussion in relevant working groups. The decision, along with corresponding regulations, is then adopted by the European Council, made up of leaders from all member states, and made legally binding. Implementation is handled by individual member states, with the Commission verifying that member states have taken steps to do so.[208] EU financial sanctions are generally implemented with a requirement to affirmatively renew the sanctions every 6 to 12 months. This gives recurring veto power to any individual country and can require delicate diplomatic engagements within the bloc to sustain a unified approach. As the largest economy and a political heavyweight within the EU, Germany's support is often critical to moving any sanctions package.

The EU has grown its sanctions capabilities in recent years, in large part because of the urgent need to maintain high economic pressure on Russia. The EU has instituted a regular expert working group focused on sanctions implementation, in which representatives from all member states—including industry and government representatives—gather and address shared challenges. It has expanded its focus on enforcement and circumvention, working across the EU, with third-party countries outside the EU, and alongside private-sector entities to better track and address Russia's efforts to evade existing EU sanctions.[209] It has also expanded its institutional capacity for economic security issues more broadly, establishing a new directorate dedicated to economic security and drafting an EU economic security doctrine.[210]

The leading EU role in pushing for sanctions on Russia demonstrates that the Commission can move forcefully on sanctions when geopolitical conditions demand it. In coordination with the United States and the G7, the EU swiftly unleashed a barrage of severe sanctions on Russia almost immediately after it invaded Ukraine, and it has continued through at least 20 sanctions packages in total.[211] This has included novel sanctions tools, such as the oil price cap mechanism, and mechanisms to pull certain authority up to the Commission level, such as creating EU-wide trade sanctions to match U.S. export control measures, which ordinarily would have to be implemented at the individual member state level. The clear nature of the Russian aggression and existential threat to the EU's own security enabled a strong EU response. While questions have arisen over the efficacy of the sanctions over the course of the protracted conflict, this may be attributable to the inherent limits of the sanctions tools themselves in addition to ongoing challenges in raising institutional capacity equally across all member states to implement those sanctions.

While sanctions authorities reside at the EU level, Germany and all member states hold important responsibilities for implementing and enforcing sanctions. Though Germany does not have its own autonomous sanctions regime, it applies all UN and EU sanctions. Under Article 29 of the Treaty of the EU, Germany is required to implement financial sanctions decisions made by the Council of the EU, which come in the form of EU Sanctions Regulations.[212] These regulations require the member states to create structures to ensure enforcement of the sanctions decisions.

Germany has sufficient institutional capacity to implement sanctions should it need to. Institutions in Germany responsible for sanctions enforcement include the Federal Office for Economic Affairs and Export Controls (BAFA), which administers sanctions and export controls, including licenses for exports and for release of frozen economic resources; the German Federal Bank, which oversees financial institution asset freezes and processes licenses for the release of frozen funds; the Central Department for Sanctions Enforcement (ZfS), which enforces asset freezes including through investigating assets of sanctioned entities; the German Customs Administration (Zoll), which enforces export and import restrictions; and the Public Prosecutor's Offices in the German States, which prosecute sanctions violations in their respective territories.[213]

Notably, Germany identified a lack of sufficient sanctions enforcement capabilities in recent years, which led to the creation of ZfS in 2022.[214] This came as part of a broader reorganization and strengthening of German sanctions authorities in response to Russia's invasion of Ukraine, including adoption of the Sanctions Enforcement Act I, which took effect in May 2022, and the Sanctions Enforcement Act II, which took effect in 2023. The former gave new authority to implement EU measures, including powers for investigation and asset freezes, while the latter is focused on structural improvements.[215] This aligns with efforts at the EU to improve enforcement, including through more rigorous penalties for sanctions evasion.[216] Overall, Germany's enforcement posture has been significantly strengthened in recent years.

Germany also has institutional capacity to adopt emergency fiscal support measures, should it need to do so in the event of an economic crisis sparked by a Taiwan contingency. Though Germany generally takes a conservative approach to fiscal matters, it has shown that it is willing to adopt unconventional measures when necessary to boost the economy, such as its temporary reduction of the national value-added tax in the wake of the COVID-19 pandemic as part of an economic stimulus package meant to bolster consumer spending.[217] However, the ongoing drag from the war in Ukraine, including lingering effects of higher energy costs in the aftermath of the cutoff of Russian gas and other factors, have impacted Germany's export-led model, and the country remains vulnerable to external trade shocks, including from potential U.S. tariffs.[218] This vulnerability greatly increases when considering that China remains a major export destination for Germany, meaning that China has a significant ability to impact Germany through countermeasures that would affect those exports. This interdependency would likely weigh on Germany when determining its role in a potential sanctions coalition and may constrain its room for maneuver, given its constrained fiscal headroom to manage any economic blowback.

U.S. Asks of Germany— An Essential Sanctions Partner

The United States would push strongly for Germany, and the EU, to align with any U.S. sanctions on China in the event of a Taiwan contingency. Defense of Taiwan would likely be viewed as an important security interest of the United States, and accordingly it would expect its security allies, such as Germany, to engage in a coordinated effort to deter or respond to PRC aggression. Further, European alignment takes on heightened importance on economic matters. The euro is the currency most likely to serve as an alternate to the U.S. dollar, should U.S. financial sanctions cut major Chinese entities out of U.S.-dollar-dominated financial infrastructure, due to the euro's major reserve currency status and easy convertibility.[219] Continued access to the European market could likewise play a spoiler role, given the overall size as well as the importance of the European consumers for China's exports. Denying China access to these economic resources in Europe would be a crucial element of an overall economic pressure strategy, and Germany would be a key player in determining the direction of European sanctions policy.

Germany's receptiveness to U.S. requests will hinge on its perception of the importance of the Taiwan issue to their overall relationship with the United States, in addition to its own assessment of its direct economic and security interests in Taiwan's status. Germany's official policy has moved toward a stronger support of peace and stability in the Taiwan Strait, and it should be moved to respond if the PRC takes actions that undermine this. Germany also would view any conflict through the lens of preserving the rules-based security order, though this assessment would be complicated by the contested nature of Taiwan's status. These interests are more likely to align in Taiwan's favor if any conflict is provoked by the PRC. Reckless actions from Taiwan to pursue independence would be far less likely to elicit support from Germany.

The United States would push strongly for Germany, and the EU, to align with any U.S. sanctions on China in the event of a Taiwan contingency.

A German response would also be heavily influenced by how prepared the German economy is to manage the fallout from a conflict over Taiwan. An abrupt decoupling from China could be disastrous for German economic interests, and the German economy is not currently positioned to withstand the costs that a Taiwan conflict or sanctions campaign would entail. German leaders would likely encounter forceful pushback on the idea of sanctions from major segments of their business community, given the current levels of dependency on trade with China. The sluggishness of the German economy would weigh heavily on policymakers, and interview subjects noted that Germany would be hard-pressed to add yet another drag to their economy.[220] Yet, even without any sanctions, the costs of an outright conflict would also be enormous, which should be an important factor as Germany considers its approach to aligning with the United States on deterrent measures, as well as broader derisking efforts.

The German response to aggression from Russia—a jurisdiction with which Germany also had a major economic relationship—shows that Berlin can make hard political choices and absorb economic costs if it deems it imperative to do so. Germany's recent adjustment of the debt brake to enable higher defense spending is another notable example of how the German political system can move forcefully when necessary. But both cases have been motivated by existential concerns about Russian aggression, and it would take a strong effort from the United States to persuade Germany that the stakes of Taiwan's status are similarly high. Crucially, Germany must be convinced that the United States is firmly committed to the defense of Taiwan and that it would lead a sustained economic pressure campaign against the PRC. Germany will not lead a sanctions effort, but it may be convinced to follow a forceful U.S. effort.

Alignment on sanctions would vary depending on the nature of the conflict scenario. In an intensified gray-zone scenario, most countries—potentially including the United States—would be unwilling to impose severe sanctions preemptively before an active conflict. Instead, signaling an intent to impose meaningful sanctions can reinforce a broader deterrence strategy, as well as demonstrating unified resolve to impose economic costs on the PRC should aggression escalate. Low-hanging fruit, and an area where it would be relatively easier to secure German and EU support, would be to sanction PRC officials and military entities directly involved in any military escalation in the Taiwan Strait, as such sanctions have limited economic costs for Germany. However, such sanctions could send a perverse signal, which is that the United States, Germany, and the G7 are unwilling to accept the economic costs of imposing more meaningful sanctions—exactly the wrong signal to send if one wants to deter.

A more meaningful sanctions action in an intensified gray-zone scenario would be one that clearly demonstrates that the allies are prepared and willing to accept costs themselves and that they intend to apply unified pressure against the PRC. The PRC assumes a certain level of U.S. sanctions would be the price to pay for action against Taiwan, but the involvement of Germany and the EU may be more uncertain. Demonstrating European intent to impose costly sanctions can have an important deterrent effect, as it would underscore the broader pressure and isolation the PRC would risk if it escalated its actions against Taiwan.[221] Bringing Germany, and Europe, along will require significant advance coordination and planning to craft a sanctions package that is viable politically and economically.

In either the short- or long-duration conflict scenarios, the United States would likely push for Germany and the EU to impose progressively more severe sanctions. Unlike India and Singapore, U.S. expectations for sanctions from Germany would be high, including to go beyond symbolic sanctions (i.e., sanctions on PRC political and military elites) and impose meaningful economic costs on China.

In a long-duration conflict, if U.S. forces are kinetically engaged or there is loss of life, the United States would expect that Germany, as one of its close security partners, would engage across all domains to support U.S. efforts. The costs of sanctions could pale in comparison to the fact that the United States, and potentially Germany or other NATO allies, would be placing forces in harm's way—a dynamic that should shift the political calculus in Berlin. The Russia example shows how quickly the unthinkable can become inevitable in wartime conditions.[222] While the exact nature of severe sanctions is beyond the scope of this paper (and has been explored previously in *No Winners in This Game*), nothing should be seen as off the table. Extreme actions, including cutting off Chinese exports to the German and European markets, sanctioning China's financial sector, and denying broad swathes of dual-use technologies or essential goods (e.g., energy) to China, would all be under consideration.

Developing a coordinated sanctions campaign with Germany, and the rest of the EU and G7, is no small task. Identifying points of asymmetric leverage, assessing spillover costs, and preparing the bureaucracy and the private sector are all processes that could take months, if not years, to do well, considering the broad scope and complexity of economic ties with China. The PRC also has substantial capacity to engage in its own economic pressure campaign, as it amply demonstrated with its recent controls on rare earths. Germany, the United States, and allies cannot wait until a crisis is at their doorstep to develop a plan for coordinated sanctions; waiting would mean that they miss a crucial window now for deterring PRC aggression.

Unfortunately, the current state of U.S.-German and U.S.-European relations does not inspire confidence that such advance planning has been prioritized. The United States is prioritizing its trade war on Europe above the need to cooperate on managing China issues together. From its perspective, Europe is fundamentally uncertain about the Trump administration's stance on the PRC, having witnessed several escalations and then walk backs of economic measures against China. It views Trump as more interested in striking a trade deal with the PRC than pursuing the type of aggressive derisking and strategic planning that would be necessary to prepare for a potential conflict over Taiwan. These divisions leave the critical U.S.-European alliance in a fundamentally weaker position than it ought to be when it comes to sending the sort of unified signal that could meaningfully deter Beijing.

Recommendations

TO EFFECTIVELY USE ECONOMIC TOOLS as part of a holistic strategy to deter or respond to PRC attempts to unilaterally change the status quo on Taiwan, the United States must build a broad coalition of sanctions partners, one that can provide a persuasive counterweight to China's global economic heft. The United States must reinforce support among its closest security allies, such as Germany, while also finding ways to encourage alignment from nontraditional sanctions partners, such as Singapore and India. An effective coalition-building approach must be based on a clear U.S. strategy for deterring and responding to PRC aggression, as well as a carefully calibrated and nuanced approach to building alignment based on each partner's geopolitical, economic, and institutional capacities and constraints. The following recommendations are offered for the consideration of U.S. policymakers.

Pursue a Steady, Multifaceted Approach to Deterrence

The countries studied in this paper, along with most countries in the world, have a strong interest in the maintenance of peace and stability in the Taiwan Strait. Deterrence of PRC aggression is the preferred outcome, and U.S. strategy should be oriented toward preventing conflict. Exploring deterrence strategy in full (i.e., force posture, arms sales) is beyond the scope of this paper, but there are important elements related to sanctions and larger economic domain issues that warrant highlighting.

① Maintain a Dual-Deterrence Goal

Singapore, India, and Germany have a highly contingent view on whether they would support Taiwan in any future crisis, depending on whether the PRC, the United States, or Taiwan are viewed as instigating what could be a devastating conflict. They would have little appetite to join a U.S. economic pressure campaign against the PRC if they view the conflict as arising from reckless Taiwan moves toward independence or from provocative U.S. actions. The United States must therefore maintain a dual-deterrence approach in which it seeks to both deter PRC aggression against Taiwan and to deter Taiwan from moving strongly toward independence. The dual-deterrence objectives are at the heart of traditional U.S. policy on Taiwan, which is carefully calibrated to maintain the status quo, and should remain central.

② Steady the U.S. Ship

U.S. leadership in a sanctions coalition is both essential and, under the second Trump administration, not guaranteed. In all three countries studied, there were strong perceptions that U.S. policy toward the PRC has become more transactional and that U.S. support of Taiwan may be watered down as the Trump administration chases a trade deal with the PRC. As U.S. policy becomes less certain, potential U.S. partners become less willing to yoke themselves to it. If the United States wants to be able to rally international support for Taiwan, including an economic pressure campaign, it must consistently demonstrate its own commitment to Taiwan. It must also show that it has the stomach for engaging with the PRC through the lens of strategic competition, rather than the narrow lens of trade policy. Absent strong and steady U.S. leadership, the PRC may be able to minimize the economic costs it bears for aggression toward Taiwan, as no other country has sufficient leverage in the global economy to make China feel real economic pain.

Steadying the U.S. ship also requires a renewed political commitment to U.S. alliances and partnerships, many of which have been buffeted by the Trump administration's aggressive and unilateral foreign policy. A strong theme in each of the countries studied was that, while countries have their own independent interests in the status of Taiwan, it is nearly impossible to separate their views on a Taiwan contingency from their perceptions of their relationship with the United States. All else being equal, a stable and strong alliance or partnership with the United States sets conditions conductive to a sanctions coalition in support of Taiwan, while turbulence undermines the viability of one.

③ Expedite Efforts to Build Deterrence Through Resiliency

The willingness of potential partners to impose economic costs on the PRC to deter or respond to aggression against Taiwan is inextricably linked to the resiliency of their economies. All case-study countries have deep economic ties with China that would leave their economies vulnerable to the negative impact of a Taiwan contingency and any resulting sanctions or countersanctions. These dependencies would create a strong political disincentive for aligning with a U.S.-led sanctions coalition under any scenario.

Addressing deep-rooted economic dependencies is not a task to be accomplished on a short fuse. For countries like Singapore, whose vulnerability arises from the sheer scale of its reliance on open global trade, resiliency against the shock of a Taiwan contingency may be an unattainable goal. But for countries like India and Germany, a proactive government approach to derisking the most critical supply chains could, over time, provide sufficient resiliency to enable greater political autonomy to respond to a Taiwan contingency. Signaling of such capabilities and resiliency could also play an important role in overall deterrence efforts.

Develop a Well-Calibrated Approach to Building a Sanctions Coalition

A key theme that emerged repeatedly in the research is that different partners bring different capabilities and constraints to any potential sanctions coalition in support of Taiwan. Rather than demand that all partners impose sanctions that exactly mirror those of the United States, the United States should craft a differentiated sanctions strategy that leverages the strengths of each potential partner and recognizes their political or geopolitical sensitivities. A well-calibrated approach is most likely to facilitate alignment among the broadest range of partners, including those that have traditionally not partnered with the United States on sanctions, such as Singapore and India.

① Pursue Tight Alignment with Close Partners

Germany is an example of a country with whom the United States should expect strong alignment on any economic pressure campaign, including imposition and enforcement of severe sanctions in any short-duration or long-duration conflict. To facilitate this, the United States must affirm its own intent to use sanctions in the event of a Taiwan contingency, addressing German concerns about the consistency of U.S. policy. A clear U.S. position can facilitate deeper conversations about the sanctions that Germany could impose, including areas in which German and European engagement is critical. Financial sanctions and technology controls should be priority areas for engagement, as the euro could serve as an alternative currency to the U.S. dollar in the event of U.S. unilateral sanctions, and European technology companies would have a strong incentive to backfill prohibited U.S. technology exports to China absent similar European restrictions.

The United States and Germany, along with Europe, should engage in regular strategic planning now to bolster resiliency and game out potential sanctions options. This should include work to align common economic security measures to derisk supply chains from China (e.g., defensive tariffs, investment screening, export controls). It should also include dedicated work to wargame sanctions options, share intelligence about Beijing's intentions toward Taiwan, and develop coordinated messaging to push back against PRC aggression toward Taiwan in gray-zone and other escalatory scenarios. Signaling a coordinated approach between the United States and Europe, including on economic issues, is one of the most powerful deterrent actions that could be taken in advance of a contingency.[223]

Other countries with a profile relatively similar to Germany and with whom the United States should seek tight alignment include the UK, Japan, Canada, Australia, and New Zealand, as well as the EU overall. All these countries have close security arrangements with the United States, important economic weapons to deploy or an ability to amplify U.S. economic pressure, and strategic alignment with the United States related to regional security.

② Facilitate Looser Alignment with Other Partners

Neither Singapore nor India should be expected to fully align with a U.S. economic pressure campaign to the same extent as Germany would. Looser alignment, however, could still be strategically beneficial and should be pursued by the United States.

For Singapore, loose alignment would prioritize Singapore's cooperation on enforcing U.S. sanctions within Singapore, leveraging the country's advanced institutional capacity to do so and recognizing the critical role that Singapore plays as a global financial and trade center. There are almost no scenarios in which Singapore would impose its own sanctions on China, given its broader geopolitical balancing act. Quiet support for U.S. sanctions would be a win in this context, particularly if Singapore could be convinced to prioritize enforcement of U.S. sanctions over enforcement of any PRC countermeasures or blocking actions. Singapore's role within ASEAN could also be important in securing similar compliance support in other destinations in Southeast Asia at risk of becoming sanctions evasion and transshipment hubs.

India has almost no sanctions weapons to bring to the table, and looser alignment with it could focus instead on leveraging their diplomatic role in the Global South to build broader international support for Taiwan, as well as securing its support for ensuring compliance with U.S. sanctions within India. India's role in a sanctions campaign can also be viewed as indirect and long-term, in that its ability to displace China as a manufacturing destination can help alter the underlying structural issues in the global economy that could prevent many countries from wanting to join a sanctions coalition.

③ Make an Interests-Based Argument for the Defense of Taiwan

Singapore, India, and Germany will each make an independent assessment of their interests related to Taiwan. Taiwan's contested status and each country's one-China policy complicates efforts to justify a defense of Taiwan in terms of the international rules-based order. Such arguments are unlikely to sway countries like India that chafe at what they view as the unbalanced nature of the current rules-based order. Singapore is similarly unlikely to be charmed by an appeal to preserve Taiwan's growing democracy. Germany may view any U.S. appeals to a rules-based order skeptically, in the wake of U.S. actions that it views as fundamentally undermining that order. Instead, a clear articulation of the costs to each country's strategic interests that could arise from a conflict or from a PRC takeover of Taiwan may be more persuasive.

For all countries, the economic cost of conflict should feature prominently.

The costs of deterrence and derisking appear marginal considering the deep global recession that could result from a conflict in the Taiwan Strait. Importantly, the costs of the conflict are likely to be automatic, arising from disruptions to trade and supply chains even if no sanctions are imposed. Each country should also be concerned with the potential for the PRC to gain a powerful new weapon to economically coerce other countries if it successfully takes over Taiwan's chips capabilities. With its recent export controls on rare earths, the PRC has once again shown its willingness to weaponize its control over critical goods. Singapore, India, and Germany would all be at a severe strategic disadvantage if the PRC could also threaten to withhold chips any time there was a diplomatic dispute.

Security interests should also be highlighted. Successful PRC action against Taiwan could dislodge the careful geopolitical balancing act that Singapore has attempted. It could also exacerbate India's concerns with the PRC on the shared border or in the Indo-Pacific if victory over Taiwan enables the PRC to redeploy military and other state resources to advance Beijing's expansive territorial claims elsewhere.

④ Use U.S.-vs.-China Framing Selectively

The United States should avoid framing the conflict as a choice between the United States and the PRC in certain contexts. Presenting a Taiwan conflict only through the lens of U.S.-China competition undervalues the direct strategic interests that countries have in Taiwan's status. It also forces fence-sitting countries like Singapore into an impossible choice that may be unnecessary or counterproductive to secure its loose alignment with U.S. policy. For India, which is extremely frustrated with current U.S. trade and foreign policy actions, a wiser argument may focus on the faults of the PRC and India's important role in guaranteeing Indo-Pacific security, rather than the benefits of cooperation with the United States.

In other contexts, a U.S.-China framing may be more beneficial. Potential German reticence to join a sanctions coalition could be countered by an appeal to the common security interests that Europe shares with the United States, or a more hard-nosed approach that treats sanctions alignment as a fundamental issue for the health of the security alliance with the United States (which, in the event of an active conflict, it would be). Of course, the more the United States invests in and demonstrates its own commitment to the transatlantic alliance, the more persuasive such appeals would be.

Conclusion

THE UNITED STATES WILL FACE A DIFFICULT task in trying to assemble a sanctions coalition in support of Taiwan, should the PRC seek to unilaterally change the status quo on Taiwan. China's deep economic ties create a meaningful disincentive for Germany, India, and Singapore to impose or escalate sanctions, and the PRC's sharpening retaliatory actions heighten concerns in these countries about the costs of supporting Taiwan. The shifting geopolitical context, most notably the evolving U.S. view of its role as a guarantor of international security, creates additional complexity. This report seeks to offer a path forward to maximize the strategic benefits of sanctions tools and the viability of a diverse sanctions coalition as part of a broader U.S. strategy to deter PRC aggression toward Taiwan.

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Center for a New American Security
1701 Pennsylvania Ave NW
Suite 700
Washington, D.C. 20006

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