ZEROFOX INTELLIGENCE

Brief

U.S.-China Tensions Simmer Ahead of Key Summit

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Scope Note

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| Executive Summary

The ZeroFox 2026 Geopolitical Forecast Assessment projected that the United States and China would likely avoid major policy decisions in 2026 that reignited their 2025 trade war, although relations between the United States and China were forecast to remain acrimonious over the long term. In the last few weeks, both sides have carried out a range of trade restrictions ahead of a key September summit between U.S. President Donald Trump and his Chinese counterpart, Xi Jinping. These measures are unlikely to derail the truce agreed to in October 2025 that halted the rapid tariff escalation between the two nations. Individually, they have likely been structured to maintain the truce by not causing immediate economic damage. However, the restrictions likely signal areas where the two sides will diverge more seriously in the coming years.

| Details

U.S. Actions

On July 28, 2026, the U.S. Federal Communications Commission (FCC) banned the import of foreign-made advanced robotic devices due to national security concerns. The ban primarily focuses on advanced robotic devices, including humanoid models, delivery robots, and consumer appliances.[1] On August 7, 2026, President Trump announced a 15 percent Section 232 tariff and minimum import price requirements on imported polysilicon and related products used in semiconductor and solar panel manufacturing.[2] On August 14, 2026, he announced new tariffs of up to 100 percent on imported drones and key components.[3]

- These measures do not specifically mention China but are almost certainly aimed at reducing U.S. reliance on Chinese imports. Most of the banned devices are manufactured there, and almost none are assembled in the United States.

The import ban and tariffs are unlikely to have a major economic impact because they apply to a relatively narrow set of products. The most significant aspect of the tariffs is likely what they reveal about U.S. trade policy going forward. Like previous White House policies, the Trump administration's broad tariffs likely aim to eliminate loopholes Chinese manufacturers have used to avoid U.S. tariffs. However, where they differ is that previous measures targeted specific countries, allowing manufacturers to shift final production to regions with lower tariff rates. This shift almost certainly led to subsequent tariffs on imports from Indonesia, Vietnam, and the Philippines—particularly for solar panels—and culminated on August 13,[4] when the White House issued a report titled "The Great Transshipment Scam" accusing China of circumventing U.S. tariffs by routing goods through more than 40 third countries.[5]

- By going after the inputs rather than the countries, the Trump administration is likely hoping to eliminate loopholes and give potential U.S. manufacturers confidence that they will not be undercut by cheaper imports while they work to develop their own respective drone and solar panel industries.

[1] hXXpss://www.fcc[.]gov/document/fcc-adds-foreign-produced-power-inverters-and-robots-covered-list-0
[2] hXXpss://www.whitehouse[.]gov/presidential-actions/2026/08/adjusting-imports-of-polysilicon-and-its-derivatives-into-the-united-states/
[3] hXXpss://www.whitehouse[.]gov/presidential-actions/2026/08/adjusting-imports-of-unmanned-aircraft-systems-and-unmanned-aircraft-systems-components-into-the-united-states/
[4] hXXpss://www.federalregister[.]gov/documents/2023/08/23/2023-18161/antidumping-and-countervailing-duty-orders-on-crystalline-silicon-photovoltaic-cells-whether-or-not
[5] hXXps://www.whitehouse[.]gov/wp-content/uploads/2026/08/The-Great-Transshipment-Scam.pdf

Effective July 24, 2026, U.S. Customs and Border Patrol began applying tariffs of 10 percent or 12.5 percent to imports from 60 trading partners. China, with its 12.5 percent forced labor tariffs, will face an effective U.S. tariff rate of 22.2 percent—1.4 percentage points higher than under the previous framework.[6]

- Part of the reason China's tariffs remain close to the same (aside from likely being the primary culprit of forced labor along supply chains) is tariffs that would normally have been placed on China have been distributed among other countries that had not previously faced serious actions regarding forced labor. The text of the tariffs cites "breaches higher up the supply chain," likely referring to products manufactured or partially made in China before being shipped through third countries.[7]

- China's Ministry of Commerce (MOC) essentially confirmed this stance on July 27, when it stated that the United States privately committed to capping replacement tariffs at around the current rate, very likely signaling that China would retaliate if the effective tariff rate increased.[8]

- A retaliation that threatens the 2025 trade truce is unlikely. However, were these tariffs to be applied more broadly and threaten a wider swath of Chinese exports, the likelihood would be higher that China would view them as a violation of the truce.

Chinese Actions

On June 21, 2026, the MOC imposed new export controls on dozens of U.S. entities, including rare-earth producers MP Materials and USA Rare Earth, and barred 46 U.S. companies from participating in government procurement projects. China claimed the targeted firms have links to the U.S. military and will therefore now be prohibited from receiving Chinese dual-use goods and technologies.[9]

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[6] ZeroFox Weekly Global Supply Chain Risk Report, July 30, 2026
[7] hXXpss://ustr[.]gov/sites/default/files/files/Press/Releases/2026/FLIP%20301%20Investigation%20Final%20Action%20FRN%207-23-26%20FINAL.pdf
[8] hXXps://m.aa[.]com[.]tr/en/economy/china-says-us-pledged-to-cap-tariffs-on-chinese-goods-at-20-/4010593
[9] hXXpss://www.straitstimes[.]com/world/china-announces-countermeasures-after-us-trade-sanctions

- While most companies on the list have almost certainly already reduced their exposure to China, limiting the sanctions' impact, rare-earth producers MP Materials and USA Rare Earth are notable exceptions due to their continued reliance on Chinese inputs. Consequently, the listing will likely hinder the expansion of these firms, which likely aim to eventually displace Chinese mining competitors.

On August 5, 2026, China's MOC announced a series of countermeasures in response to the forced labor and technology restrictions. China imposed tighter export controls on drones and related technologies destined for the United States, blacklisted six U.S. entities, suspended U.S. organizations from participating in certain product certification activities, and launched a national security review of imported office equipment.[10]

Separately, on August 10, 2026, the MOC announced that China would impose a tariff rate of 54.3 percent on pecans from the United States, citing evidence that American pecans are being sold in China at unfairly low prices.[11]

- China often targets agricultural industries when responding to trade disputes, likely because farmers represent key political constituencies and alternative food and crop sources are readily available. Furthermore, imposing or removing agricultural trade restrictions is a relatively simple process. For example, previous summits have resulted in Chinese commitments to purchase soybeans from the United States after years of shifting those purchases from the United States to Brazil.[12]

[10] hXXpss://www.whsv[.]com/2026/08/05/china-hits-us-with-series-economic-measures-including-export-controls-drones/
[11] hXXpss://www.scmp[.]com/economy/global-economy/article/3363556/china-hits-us-mexican-pecans-preliminary-anti-dumping-curbs
[12] hXXpss://www.politico[.]com/news/2026/05/17/china-agrees-to-add-billions-annually-of-us-farm-purchases-white-house-says-00925648

Looking Forward

Short-Term Stability amid Rhetoric

While these measures risk being interpreted by the other side as a violation of the trade truce, they are unlikely to rise to the level that would reignite the 2025 U.S.-China trade war in the short term.

- A similar set of retaliatory trade restrictions was announced ahead of the last Trump and Xi summit in Beijing in May 2026. On March 27, 2026, China's MOC announced two trade investigations targeting U.S. practices regarding barriers to trading environmentally friendly products.[13] The investigations were very likely retaliatory and followed two similar probes the U.S. Commerce Department announced against China, one of which ended with the forced labor tariffs of July 2026.

- Just ahead of the October 2025 summit in South Korea, China unveiled new restrictions on its exports of rare-earths and other critical materials—very likely in response to the United States expanding its list of sanctioned Chinese companies.[14][15] However, neither went into effect. The summit ended with the United States pausing the implementation of most of its tariffs on Chinese goods and China easing export controls on rare-earth metals. Presidents Trump and Xi also announced plans for bilateral summits in their respective countries to analyze and extend the U.S.-China trade truce. The first of these was held in May 2026 in Beijing and ended amicably.[16] While there is a roughly even chance that the second summit, planned for Washington, D.C. on September 24, will be more awkward because of recent trade rhetoric, it is likely to end similarly.

13 hXXpss://english[.]news[.]cn/20260327/4baeec1a66db464b9b7068b7303c603d/c.html
14 hXXpss://www.bloomberg[.]com/news/articles/2025-09-29/us-hits-sanctioned-firms-subsidiaries-drawing-chinese-rebuke
15 hXXpss://www.mayerbrown[.]com/en/insights/publications/2025/10/prc-announces-new-export-controls-on-rare-earth-and-battery-materials-and-technology
16 hXXps://www.whitehouse[.]gov/fact-sheets/2025/11/fact-sheet-president-donald-j-trump-strikes-deal-on-economic-and-trade-relations-with-china/

The most recent trade restrictions, announced since the May summit, have likely been calibrated to avoid violating the October 2025 trade truce. That is likely to remain the case throughout the remainder of Trump's term. China is unlikely to threaten its export-dependent economy by encouraging higher U.S. tariffs, and the United States is unlikely to raise tariffs to a level that would see China retaliate by curtailing the critical minerals exports on which U.S. industries rely.

Long-Term Strategic Decoupling

However, over the long term, both the United States and China are likely seeking to reduce their dependencies on each other, a process that will likely take years. Since June 2026, the Trump administration has announced a series of government-backed investments, likely reflecting a U.S. strategy to reduce its dependence on Chinese supply chains for rare-earth metals using a combination of increases in domestic refining operations and international mining projects.

- On July 20, 2026, President Trump issued an Executive Order (EO) mandating that defense contractors map critical supply chains to identify sources within adversary nations. The EO encompasses the entire production cycle, from raw materials to finished military deliverables, with a specific emphasis on lower-tier suppliers. Contractors must now screen all suppliers and subcontractors for financial, manufacturing, and supply risks, as well as foreign ownership, control, or influence.[17]
- On July 24, 2026, the Trump administration unveiled a USD 500 million U.S.-Africa Strategic Investment Program aimed at strengthening critical mineral supply chains and expanding U.S. business opportunities in sub-Saharan Africa.[18]
    - The plan aims to increase mineral shipments through the Lobito Corridor, a rail and port network connecting the copper belts of the Democratic Republic of Congo (DRC) and Zambia to Angola's Atlantic Coast. A rival corridor runs from DRC to Africa's East Coast and is largely utilized by China.

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[17] hXXpss://www.whitehouse[.]gov/presidential-actions/2026/07/securing-americas-defense-supply-chains-and-ensuring-domestic-acquisition-of-critical-materials/
[18] hXXpss://mw.usembassy[.]gov/funding-opportunity-u-s-africa-strategic-investment-program/

- On August 8, 2026, President Trump informed mining executives that the U.S. government has invested USD 3 billion in critical minerals mining to reduce reliance on supply chains dominated by China. These investments include funding for critical minerals projects ranging from a USD 1.5 billion nickel mine in Tanzania to smaller Pentagon investments in Australian scandium and Minnesota-based magnetics.[19]

China has continued its strategy of dominating manufacturing exports of popular technologies, including solar panels, consumer electronics, electric vehicles (EVs), and artificial intelligence (AI) products. This strategy also includes dominating the production of inputs needed for these industries to function, such as copper for electrification projects, lithium for EVs, and rare-earth metals used in semiconductors, weaponry, and other advanced technology. Without these inputs, most factories producing these goods would be unable to operate, even if they were protected from Chinese competition. As long as China's economy relies on foreign consumers purchasing these goods and Western companies rely on China for these materials, the trade truce is likely to persist.

[19] ZeroFox Weekly Global Supply Chain Risk Report, August 13, 2026

Appendix A: Traffic Light Protocol for Information Dissemination

	Red	Amber
WHEN SHOULD IT BE USED?	**Sources may use** **TLP:RED** when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.	**Sources may use** **TLP:AMBER** when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.
HOW MAY IT BE SHARED?	**Recipients may NOT share** **TLP:RED** with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.	**Recipients may ONLY share** **TLP:AMBER** information with members of their own organization and its clients, but only on a need-to-know basis to protect their organization and its clients and prevent further harm. **Note that** **TLP:AMBER+STRICT** restricts sharing to the organization only.

	Green	Clear
WHEN SHOULD IT BE USED?	**Sources may use** **TLP:GREEN** when information is useful for the awareness of all participating organizations, as well as with peers within the broader community or sector.	**Sources may use** **TLP:CLEAR** when information carries minimal or no risk of misuse in accordance with applicable rules and procedures for public release.
HOW MAY IT BE SHARED?	**Recipients may share** **TLP:GREEN** information with peers and partner organizations within their sector or community but not via publicly accessible channels.	**Recipients may share** **TLP:CLEAR** information without restriction, subject to copyright controls.

Appendix B: ZeroFox Intelligence Probability Scale

All ZeroFox intelligence products leverage probabilistic assessment language in analytic judgments. Qualitative statements used in these judgments refer to associated probability ranges, which state the likelihood of occurrence of an event or development. Ranges are used to avoid a false impression of accuracy. This scale is a standard that aligns with how readers should interpret such terms.

Almost No Chance	Very Unlikely	Unlikely	Roughly Even Chance	Likely	Very Likely	Almost Certain
1-5%	5-20%	20-45%	45-55%	55-80%	80-95%	95-99%