

A blind spot in US AI policy



By Yingyi Ma

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An opening chapter of an AI cold war is emerging. This week, the White House accused China of “industrial-scale” theft of American AI models, while Beijing reportedly moved to prevent Meta from acquiring Manus — a Chinese-founded AI startup now based in Singapore.

The deeper contest is not over who copies whose model, but over the talent capable of building the next generation of frontier AI. And on that dimension, the Trump summit offers little relief.

DeepSeek and Manus were not built by talent poached or stolen

from American institutions. Their founders and core teams were trained entirely within China. Beijing’s decision to block the Manus acquisition is instructive because it reveals what matters most to China: keeping its frontier AI talent at home. The White House, by contrast, remains focused on distillation and chip controls — symptoms of a competition but not the root of it.

From an American perspective, success should be measured by whether the summit prompts any honest reckoning with the US talent crisis: why the United States is producing less technical talent domestically, why its AI pipeline depends so heavily on immigration, and why that pipeline is now drying up.

Trump has lost leverage on fentanyl



By Vanda Felbab-Brown

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Fentanyl and synthetic opioid precursors remain a significant issue in US-China relations, but the Trump administration has weakened its leverage. By October 2025, China had outsmarted the United States in its fentanyl diplomacy, absorbing Trump’s early-2025 tariffs while retaliating with counter-tariffs, export controls on critical minerals, and boycotts of sensitive imports like soybeans. Subsequent diplomatic rounds led China to give the Trump administration the same deliverables it had already given to the Biden administration in late 2024 — the scheduling of nitazines and several fentanyl precursors.

The US-China counternarcotics working group is working, but US officials tell me that cooperation hasn’t been as robust as it was in late 2024. At a March 2026 UN meeting on narcotic drugs, the US-China exchanges were acrimonious: the US delegation complained of China not doing enough to stop fentanyl precursors, while China accused Washington of “unilateral bullying”.

Indeed, the Trump administration deprived itself of the kind of multilateral counternarcotics pressure that China has been responsive to by letting the Biden-era Global Coalition to Address Synthetic Drug Threats wither on the vine. Moreover, the Trump administration’s preferred tool of diplomacy — tariffs — was gutted by the February

2026 US Supreme Court decision against its use of the International Emergency Economic Powers Act. The Stop Chinese Fentanyl Act (H.R.747), a new US bill seeking to impose visa bans and other sanctions on Chinese officials and other actors if China doesn’t cooperate against synthetic drug flows, has been stuck in the Senate.

In March 2026, the United States began charging Chinese precursor smugglers with material support for terrorism, following the designation of Mexican cartels as foreign terrorist organizations. This is an irritant for China, but a minor one. A much bigger irritation would be keeping China on the list of major illicit drug suppliers that the US government will release in September.

Oil, coal, and power politics



By Scott M. Moore

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The Iran conflict’s climate and energy dimension will hang over the Trump-Xi summit in two ways. On the one hand, the disruption to energy markets has substantially increased the cost of Chinese energy imports and will almost certainly result in increased coal combustion. Xi will be anxious to ensure that these disruptions are min-

imized, particularly if the conflict is still ongoing by the time the summit begins.

On the other hand, the conflict has vindicated China’s approach to energy security. China has pursued an “all-of-the-above” strategy for developing fossil and non-fossil energy and electrifying its energy system, which allows for power from multiple sources to be optimally integrated and, increasingly, stored. Its long-term investment in boosting oil and gas

supplies from overland rather than seaborne sources, most notably Russia, likewise looks sound. China is, thus far, less exposed to energy supply disruption and price volatility than it would be otherwise. Success should be measured to the extent that China agrees to purchase US energy, as opposed to continued purchases from Iran, Russia, and other US adversaries.

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Chinese President Xi Jinping (front-R) shakes hands with DeepSeek founder Liang Wenfeng on February 17, 2026. © CCTV

Implications of China’s blocking ban on US sanctions

PERSPECTIVE

On April 24, the United States Department of the Treasury added five Chinese refineries to its sanctions list. In response, on May 2, the Chinese Ministry of Commerce (MOFCOM), through an official communiqué, stated that, for the purpose of safeguarding national sovereignty, security, and developmental interests, the American sanctions against said enterprises “will not be recognized, executed, or complied with”. This unprecedented move rests upon a foundation of mechanisms designed, since 2021, by the MOFCOM under the framework of the regulation, titled “Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures,” a decree that bans Chinese firms from adhering to foreign sanctions. Continuing along this trajectory, on April 13, 2026, the State Council of China, in its capacity as the supreme executive authority within the nation, issued a statute denominated the “People’s Republic of China Regulations on Countering Improper Extraterritorial Jurisdiction by Foreign States”. This regulation establishes a comprehensive, multi-agency framework for counteracting extraterritorial jurisdiction, according to which any entity, whether Chinese or even foreign, that abstains from transacting with a sanctioned Chinese company due to Washington’s directives, may be litigated against in Chinese courts. In effect, this regulation has expanded the role of the Chinese

Ministry of Justice in obstructing American sanctions. Concerning the rationale for China’s current decision to counteract American extraterritorial sanctions, one may mention two causal factors pertaining to the necessity of action and one enabling foundation pertaining to the feasibility of implementation. The first cause resides in the following: unlike prior sanction episodes, which predominantly targeted smaller, privately-owned Chinese refineries denominated “teapots,” this time saw the Hengli petro-refinery, which, according to certain estimations, constitutes China’s third-largest refinery, being placed upon the United States Department of the Treasury’s

sanctions list; a development that became intolerable for Beijing. The second cause relates to the pattern of intensifying restrictions by the Trump administration against the unfettered activities of Chinese corporations, including pressure upon Panama to expel Chinese companies from critical terminals of the Panama Canal; a trajectory that has impelled China toward the conclusion that, to contain this, stronger mechanisms must be deployed against American cross-border interventions. The enabling foundation, too, signifies that the Chinese governing apparatus has evaluated the execution of such an action as feasible and low-cost at the present juncture. Given that this

policy situates Chinese enterprises between the acceptance of penalties from China or from the United States, Beijing has likely calculated that, domestically, no serious harm will come to Chinese firms. According to Kyle Chan, a researcher at the Brookings Institution, “This is about Beijing finally feeling comfortable enough to push back against what they’ve long seen as extraterritorial reach by the US over their own firms & banks.” So, Beijing places the burden of choice upon Washington whether to enforce and intensify the sanctions or not. Accordingly, if the United States desires to sanction a major Chinese bank due to its collaboration with Hengli, the matter will no longer be confined merely



The fact that this Chinese action, which perhaps would not have been possible a decade ago, has been rendered feasible must be understood in conjunction with two processes: the economic decoupling between the United States and China and, more generally, the fragmentation of the international economy; processes that have been shaped by the intensifying rivalry of great powers.

to Iranian petroleum but will instead transform into a direct financial confrontation between the two largest global economies. Notwithstanding that China does not exclude this possibility, its risk assessment has not been of a magnitude to preclude action in blocking the sanctions. The fact that this Chinese action, which perhaps would not have been possible a decade ago, has been rendered feasible must be understood in conjunction with two processes: the economic decoupling between the United States and China and, more generally, the fragmentation of the international economy; processes that have been shaped by the intensifying rivalry of great powers. Of course, China’s recent action may itself become a pivotal juncture in their deepening.

The aforementioned processes, together with China’s recent action, significantly lay the groundwork for weakening and constraining of the extraterritorial effects of American sanctions. Within this framework, a novel opportunity emerges for the Islamic Republic of Iran to gradually distance itself from the so-called “sanctions-circumvention” paradigm and to move toward a form of formalization in its economic interactions with China; an approach that, while preserving confidentiality considerations, can manifest itself, particularly, through the revival of the formal payment structure in bilateral relations.



Hengli Petrochemical Dalian Refinery, China. © XINHUA

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