

WEEKEND READING:

Letter from the Team

November 19th, 2025



"Dead men tell no lies." - Akira Kurosawa, *Rashomon*

Dear Potential Customer,

For those of you unfamiliar with the film *Rashomon* (1950), directed by Akira Kurosawa, the main theme of the film is the nature of truth—exploring how it is subjective and unreliable, often shaped by ego, self-interest, and differing perspectives. The film has given rise to the “Rashomon Effect,” a term used to describe situations where the same event is described differently by multiple witnesses and the truth becomes debatable or even questionable.

In our last letter, we called attention to the messages emanating from the PRC in the Shanghai Cooperation Organization read-out, the 15th Five-Year Plan for 2026–2030, and the Fourth Plenum. The messages were clear: (1) the PRC is committed to a series of industrial, commercial, and financial strategies to gain superiority in critical technologies and (2) the PRC has proposed a new global governance structure to replace the U.S.-led Western order. We ignore these messages at our peril.

World events continue the trend of surprise and volatility, in which developments that should reduce tension (Presidents Trump and Xi meeting October 25) produce increased uncertainty. We were reminded of *Rashomon* while following the reporting of the Trump–Xi meeting, which was described as both “a 12 on a 10 scale” and a “nothingburger.” Our first suggested reading attached is a [side-by-side comparison of the official PRC and USA post-meeting read-outs](#). They are anything but congruent. The two views of an objective reality became painfully apparent a mere one week after the meeting, when the PRC announced an intention to further regulate the export of tungsten and antimony—two critical commodities perhaps more important to Western economies than the REEs and magnets covered by Xi and Trump.

In case we didn’t quite understand the message, the PRC also announced that the REE and Magnets export license processes would be modified to prevent exports to companies in the defense industrial base.

The inescapable message of these events is that the PRC is driving—not reacting to—deglobalization and decoupling forces. This behavior is also seen in the PRC’s approach to competition with the U.S. in AI and its approach to statecraft with Japan.

Bloomberg: Here's How US, China Statements Compare Post Xi-Trump Summit

Global Times: China issues new rules on rare metal export management for 2026-2027

Wall Street Journal: China Hatches Plan to Keep U.S. Military From Getting Its Rare-Earth Magnets

The AI wave of investment and valuation spiking in U.S. markets may be cresting, as noted in countless articles. Of particular note, both SoftBank and Peter Thiel have sold their positions in Nvidia. Why?

On the one hand, questions are (finally) being asked about what the expected return on the tsunami of AI investment will be, while at the same time the PRC is running a campaign to undercut Western companies by selling models cheaply, if not giving them away, subsidized by state-provided discounted electricity to data centers. As noted by the [South China Morning Post](#), Airbnb’s CEO publicly stated that they’re running on Qwen models because they’re “fast and cheap” in comparison to OpenAI. This feels like the playing out of a textbook innovator’s dilemma. U.S. companies optimized for margin and control. Chinese labs optimized for adoption and ecosystem. Now U.S. companies are choosing Chinese infrastructure because it makes business sense.

The question isn’t whether this is good or bad. It’s whether we’re building a dependency. What happens when critical U.S. infrastructure runs on models we don’t control? What happens to the “AI safety” conversation when the models powering half of Silicon Valley are outside our regulatory reach?

On the other hand, it is not an unreasonable case that the USA will ban PRC models and platforms, in which case Nvidia may become a de facto national champion. “You pays your money and you takes your choice,” said *Punch Magazine* in 1846, and that still rings true today.

South China Morning Post: Airbnb picks Alibaba’s Qwen over ChatGPT in a win for Chinese open-source AI

In the statecraft sphere, tension between Japan and the PRC has spiked following a comment by the new Japanese Prime Minister that Japan may intervene if the PRC were to attack Taiwan. The actions, reactions, and comments between the two countries have been nonstop. We will not attempt to summarize, but rather encourage you to set your NewsWatch function to include this topic. Wars generally start by accident and miscalculation. The history of relations between these two countries and the current geopolitical context make this situation a must-watch.

Also note the Evercore ‘Sat Nite’ report below, which calls out continuing challenges of deflation in the PRC, and notes that an external party or force to blame is welcome when the domestic economy is sputtering. To stimulate your thinking about possible future scenarios for Taiwan, we attach a thoughtful article from Bloomberg’s Hal Brands, “[How Would China Take Over Taiwan? One of the Five Strategies](#),” and Matt Turpin’s [weekly newsletter](#) for a deeper dive into all matters statecraft.

Finally, our friends on the “sell side” and elsewhere are beginning to pump out the usual 100+ page forecasts for the coming year. We are accumulating them for reading next week after Thanksgiving while we benefit from the turkey-induced tryptophan-high bubble of good feelings. Thomas Hobbes famously said in his 1651 book *The Leviathan* that the life of man at that time was “solitary, poor, nasty, brutish, and short.” We in the West have the best life in the history of the world, with freedoms and privileges Hobbes could never have imagined. If we wish to continue to enjoy them, we are well advised not only to be realistic about the forces and intentions of our adversaries, but also to be prepared to act.

Thank you for your continuing friendship and partnership.

Faithfully,
The Whitney Team

TOPIC OF THE WEEK



Evercore ISI

China 'Sat Nite' - Growth Challenges, BABA, Magnets, Taiwan

Beijing appears managing down growth expectation; Premature to base luxury spending outlook on 3Q25; Difference between FAI and GCF, and things to note; Signs of desperation are emerging in policy choices; Alibaba and PLA, many questions around the rumor; Magnet VEU framework not necessarily a truce killer; Why Beijing’s drastic reaction to Takaichi on Taiwan

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Bloomberg

How Would China Take Over Taiwan? One of these 5 Strategies

This isn’t a simple invade-or-don’t-invade binary. China has at least five possible strategies for squeezing and perhaps subjugating Taiwan. They range from what is already happening today — systematic, short-of-war coercion — to a full-on invasion, with options including blockade, bombardment and small seizures of Taiwanese territory in between.

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Matt Turpin

The CCP's Kryptonite

I think we’ve found the Chinese Communist Party’s kryptonite: a strong Japanese woman. Beijing is having a proper freak out because the new Japanese Prime Minister stated the obvious during a session of the Japanese parliament a week ago.

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