

Testimony before the U.S.-China Economic and Security Review Commission
Title of Hearing: Dominance by Design: China Shock 2.0 and the Supply Chain
Chokepoints Eroding U.S. Security”

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Commissioners, thank you for this opportunity to testify at today’s hearing. The topic of China Shock 2.0 is an important and urgent one. The People’s Republic of China’s (PRC) non-market policies and practices (NMPP) lead to market distortions, including overcapacity and chokepoints, which undermine fair competition and create dependencies that the PRC can weaponize. Addressing these supply chain vulnerabilities and preventing new ones from materializing require a comprehensive, long-term policy response and an effective economic security toolkit.

As the Commission has documented extensively, the United States is directly reliant on the PRC in key supply chains, including certain critical minerals¹, active pharmaceutical ingredients², clean energy technologies³, certain machinery⁴, and other goods. Moreover, we are often indirectly dependent on the PRC in critical supply chains even when we source from non-PRC suppliers.⁵ These dependencies come with significant risks.

We know the harms to American workers and manufacturers when they are forced to compete against unfairly traded imports; workers lose their jobs, communities lose their factories, and the economic consequences can be generational.⁶ In addition, our defense industrial base and national security are threatened when the PRC decides to weaponize dependencies, as we have seen with their recent actions on rare earth minerals, germanium, gallium, and antimony.⁷ And the risks to global clean energy supply chains and prices, including in the U.S., are well-

¹ National Minerals Information Center, U.S. Geological Survey, Mineral Commodity Summaries 2025. Accessed at: <https://www.usgs.gov/publications/mineral-commodity-summaries-2025>

² National Economic Council and National Security Council, 2021-2024 Quadrennial Supply Chain Review, December 2024, 234. Accessed at: <https://bidenwhitehouse.archives.gov/wp-content/uploads/2024/12/20212024-Quadrennial-Supply-Chain-Review.pdf>

³ Ibid, 75.

⁴ U.S. International Trade Commission, Trade Shifts Index 2023. Accessed at: https://www.usitc.gov/research_and_analysis/tradeshifts/2023/machinery

⁵ Trang Hoang and Gordon Lewis, As the U.S. is Derisking from China, Other Foreign U.S. Suppliers Are Relying More on Chinese Imports, FEDS Notes, August 2, 2024. Accessed at: https://www.federalreserve.gov/econres/notes/feds-notes/as-the-u-s-is-derisking-from-china-Other-foreign-u-s-suppliers-are-relying-more-on-chinese-imports-20240802.html?trk=public_post_comment-text

⁶David Autor, David Dorn, Gordon H. Hanson, The China Syndrome: Local Labor Market Effects of Import Competition in the United States, *American Economic Review*, Vol. 103, No. 6, October 2013. Accessed at: <https://www.aeaweb.org/articles?id=10.1257/aer.103.6.2121>;

David Autor, David Dorn, Gordon H. Hanson, *The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade*, National Bureau of Economic Research, Working Paper 21906, January 2016. Accessed at: https://www.nber.org/system/files/working_papers/w21906/w21906.pdf;

David Autor, David Dorn, Gordon H. Hanson, On the Persistence of the China Shock, National Bureau of Economic Research, Working Paper 29401, October 2021. Accessed at: <https://www.nber.org/papers/w29401>

⁷ Govini, From Rock to Rocket; Critical Minerals and the Trade War for National Security, April 2025. Accessed at: https://admin.govexec.com/media/general/2025/4/govini-rock_to_rocket-critical_minerals.pdf

understood.⁸ How the PRC achieves dominant positions in global supply chains may change, but the risks to U.S. economic security remain and could increase if we do not take steps to defend against PRC NMPP and promote U.S. supply chain resilience. My testimony will focus on how to most effectively respond to these risks and achieve these goals.

I have four main points that I want to convey to the Commission today. First, the United States should seek to address PRC NMPP as a central component of a U.S. supply chain resilience strategy. Second, to be effective, the United States should take early and comprehensive action to respond to PRC NMPP. Third, we should expect the PRC's tactics of market distortion and domination to continue to evolve and develop and deploy an appropriate toolkit that enables us to respond nimbly and effectively. And finally, the United States will be more effective at combatting PRC NMPP and strengthening our supply chains if we coordinate with allies and partners on these objectives.

Supply Chain Strategy

The United States should seek to combat the impact of PRC NMPP as part of a broader strategy to achieve supply chain resilience. For the last several decades, our responses to the PRC's unfair trade practices in most cases have been more ad hoc and largely defensive in nature. As a result, they have not prevented or addressed vulnerabilities in U.S. supply chains or enhanced U.S. capacity and competitiveness in strategic sectors. Instead, we have narrowly focused on offsetting the impact of the NMPP-caused market distortions with respect to specific products, while failing to consider what our overall objectives and vulnerabilities might be for an impacted supply chain.

Considering the broader supply chain and economic security implications of PRC NMPP will lead to more comprehensive and effective responses. Take the electric vehicle (EV) supply chain, for example. The PRC has pursued a decades-long strategy to dominate the global EV supply chain. It has expanded its ownership of EV critical mineral mines, increased critical mineral processing in the PRC, developed new EV battery technology, maintained a monopoly on critical EV inputs, and become dominant in EV battery production and EV assembly. As a result, today the PRC accounts for 60 percent of EVs and 80 percent of EV batteries produced in the world.⁹ Action targeted only at PRC EV or EV batteries imports would not fully address the multiple layers of trade-distorting policies and PRC concentration throughout the supply chain. Nor would it adequately advance the strategic objectives of U.S. production and innovation in the large capacity batteries sector or our competitiveness in the global EV market.

A holistic approach to NMPP requires strong analysis and deep understanding of supply chains. President Biden's Executive Order (EO) 14017 on America's Supply Chains launched a whole-of-government effort to assess key supply chains and industrial bases, with an initial focus on semiconductors and advanced packaging, critical minerals and materials, large capacity batteries

⁸ International Energy Agency, Energy Technology Perspectives 2023. Accessed at: <https://iea.blob.core.windows.net/assets/a86b480e-2b03-4e25-bae1-da1395e0b620/EnergyTechnologyPerspectives2023.pdf>

⁹ Christian Shepherd, "How China pulled ahead to become the world leader in electric vehicles," *The Washington Post*, March 3, 2025. Accessed at: <https://www.washingtonpost.com/world/2025/03/03/china-electric-vehicles-jinhua-leapmotor/>

for vehicles and grid storage, and active pharmaceutical ingredients.¹⁰ This EO, and the subsequent EO 14123 on White House Council on Supply Chain Resilience,¹¹ led to the publication of initial supply chain reviews in 2021, more comprehensive assessments in 2022, and a quadrennial review in 2024.

Maintaining and updating these assessments are essential for increasing the U.S. Government's (USG) capacity and preparedness to respond to China Shock 2.0, level the playing field for U.S. workers and manufacturers, invest in U.S. supply chain resilience, and evaluate the effectiveness of these policies so we can refine our efforts, as needed, over time. This supply chain analysis can be used to identify sectors at risk of or experiencing harms from PRC NMPP and coordinate USG efforts to address them. They can also help to facilitate engagement and information-sharing with the private sector, labor, and other stakeholders that have firsthand knowledge about supply chain vulnerabilities.

Early and Comprehensive Responses

To be effective, the United States should take early and comprehensive action to respond to PRC NMPP, guided by the in-depth supply chain analysis noted above. Supply chain dependencies can take time to materialize, but once they do they can be difficult to reverse. Policy interventions are likely to be more successful if they are deployed before supply chain chokepoints or dependencies have developed.

Too often, we take targeted action after the harms of unfair trade practices are sufficiently demonstrable and once the lengthy deliberative process for trade petitions has been completed. This after-the-fact approach frequently leaves U.S. producers in a weakened position even after the remedy is in place. With ongoing, detailed analysis, the USG can identify anticipated impacts of PRC NMPP and emerging vulnerabilities and deploy NMPP responses to prevent threats to U.S. economic security from developing.

In addition to early action, comprehensive responses to PRC NMPP are necessary to achieve our supply chain resilience goals. NMPP responses have historically focused on tariffs on finished products, but simply applying a border measure against PRC imports is unlikely to address the full suite of supply chain threats or dependencies as mentioned in the EV example above. Moreover, the typical trade remedy is often targeted to offset the harms caused by unfair trade practices without providing additional support to help an industry get back on its feet. Conversely, a response that focuses solely on investments in U.S. production will fail to level the playing field for domestic producers and will be undermined by the PRC's market-distorting policies. A successful NMPP response should include a combination of affirmative and defensive actions that addresses unfair trade practices and promotes a domestic investment climate and market demand to spur U.S. production and innovation, all of which are key to promoting overall supply chain resilience.

¹⁰ The White House, Executive Order 14017 on America's Supply Chains, February 24, 2021. Accessed at: <https://bidenwhitehouse.archives.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/>

¹¹ The White House, Executive Order 14123 on White House Council on Supply Chain Resilience, June 14, 2024. Accessed at: <https://www.govinfo.gov/content/pkg/DCPD-202400527/pdf/DCPD-202400527.pdf>

Examples of actions to consider as part of a comprehensive PRC NMPP, include, as appropriate, affirmative and defensive trade measures, export controls, entity list designations, procurement policies, domestic investments, overseas financing in strategic projects, regulatory changes to establish standards for the U.S. market, supply chain transparency requirements for imports, and others. These tools are frequently used to address concerns of national security or unfair trade practices, but they have rarely been coordinated or pursued under the uniting policy objective of supply chain resilience. That should change.

The Biden Administration's approach to EVs provides an example of a comprehensive NMPP response. First, the Inflation Reduction Act (IRA) and the Bipartisan Infrastructure Law made significant investments in the U.S. EV supply chain, including in domestic mining, mineral processing, battery manufacturing, and EV assembly. To protect these historic investments and to guard against unfairly traded imports, President Biden increased tariffs on PRC EV imports to 100 percent and raised tariffs on certain critical minerals and other EV inputs, as well.¹² The IRA also included incentives for consumers to purchase EVs to increase domestic market demand.¹³ These incentives included requirements that automakers source non-PRC EV battery critical minerals for their vehicles to qualify.¹⁴ In addition, the Biden Administration worked with allies and partners to coordinate financing of critical mineral mines and processing facilities to create alternatives to PRC producers.¹⁵ And secured trading partners' adoption of similar trade enforcement measures.¹⁶ This wide-ranging suite of policies was designed to combat PRC NMPP, diversify away from the PRC, promote U.S. expansion and competitiveness in the EV sector, and coordinate with allies and partners. Similarly comprehensive NMPP responses should be pursued in other sectors.

Modern, Effective Toolkit

A comprehensive, modern NMPP toolkit that is updated regularly is essential to effectively responding to current and future China Shocks. The Commission is focused in today's hearing on the PRC's latest efforts to dominate key sectors, what you're calling China Shock 2.0. It makes sense to consider this latest phase of PRC NMPP, but we should not expect this to be the last time PRC tactics evolve. Our responses and our toolkit must evolve as well.

¹² The White House, FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices, May 14, 2024. Accessed at: <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/#:~:text=Batteries%2C%20Battery%20Components%20and%20Parts,zero%20to%2025%25%20in%202024.>

¹³ Internal Revenue Service, U.S. Department of Treasury, Credits for new clean vehicles purchased in 2023 or after. Accessed at: <https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>

¹⁴ U.S. Department of Energy, Federal Tax Credits for New Plug-in Electric and Fuel Cell Electric Vehicles Purchased in 2023 or After. Accessed at: <https://fueleconomy.gov/feg/tax2023.shtml>

¹⁵ U.S. Department of State, Joint Statement on Establishment of the Minerals Security Partnership Finance Network, September 23, 2024. Accessed at: <https://2021-2025.state.gov/joint-statement-on-establishment-of-the-minerals-security-partnership-finance-network/>

¹⁶ Rob Gillies, "Canada imposes a 100% tariff on imports of Chinese-made electric vehicles, matching the US," *Associated Press*, August 26, 2024. Accessed at: <https://apnews.com/article/canada-china-evs-tariffs-0cd68ba7533bc6e7111cdd5811c8889c>; Le Monde with AFP, "EU slaps extra tariffs of up to 35.3% on Chinese EVs," *Le Monde*, October 30, 2024. Accessed at: https://www.lemonde.fr/en/european-union/article/2024/10/30/eu-slaps-extra-tariffs-of-up-to-35-3-on-chinese-evs_6730948_156.html#

The PRC modifies its tactics as necessary to achieve its goals. In the EV sector, for example, it has invested billions of dollars through the Belt and Road Initiative investments in mines around the world to secure sources of raw material for its expanding mineral processing capacity back at home.¹⁷ In the solar sector, PRC state-owned enterprises relocated to other countries in Southeast Asia after the United States imposed tariffs on PRC solar imports. Now, PRC state-owned enterprises are on the move again, this time reportedly to Indonesia and Laos, after we imposed new tariffs on solar imports from Thailand, Malaysia, Vietnam, and Cambodia.¹⁸ The U.S. NMPP and supply chain resilience toolkit should be able to effectively respond to these developments and to future PRC approaches as well.

As a first step to modernizing our toolkit, we should consider updates to the laws that have played a central role in our NMPP responses to date. Title VII of the Tariff Act of 1930, Section 201 and Section 301 of the Trade Act of 1974, and Section 232 of the Trade Expansion Act of 1962 were all written decades ago without today's understanding of overcapacity and chokepoints. Modifications to these statutes and potentially new authorities would give the USG more flexibility and capacity to address threats to U.S. supply chain resilience.

Specifically, these statutes should be amended to require enhanced import transparency and traceability; facilitate enforcement action throughout supply chains, not just on finished products; combat transnational subsidies; address circumvention; and authorize action before U.S. producers experience harms. Updates to the Harmonized Tariff Schedule of the United States should also be considered to allow for more precise targeting of imports with trade enforcement measures and tariff rates that account for new technologies and shifting strategic priorities as Congress deems appropriate.

Congress and the Executive Branch should complete regular evaluations of the U.S. NMPP and supply chain resilience toolkit on a regular basis to identify new or modernized authorities as needed. As mentioned previously, the U.S. NMPP toolkit is expansive if all relevant authorities are considered. Affirmative and defensive trade measures, export controls, entity list designations, procurement policies, domestic investments, overseas financing in strategic projects, regulatory changes to establish standards for the U.S. market, supply chain transparency requirements for imports, and others should be deployed when warranted. Any NMPP toolkit evaluation should include an assessment of these authorities and whether they are sufficiently coordinated to promote U.S. supply chain resilience.

Coordination with Allies and Partners

¹⁷ Brooke Escobar, et al., Power Playbook: Beijing's Bid to Secure Overseas Transition Minerals, AidData at William & Mary, January 2025. Accessed at: <https://www.aiddata.org/publications/power-playbook-beijings-bid-to-secure-overseas-transition-minerals>

¹⁸ Lewis Jackson et al., "Chinese solar firms go where U.S. tariffs don't reach," *Reuters*, November 4, 2024. Accessed at: <https://www.reuters.com/business/energy/chinese-solar-firms-ever-nimble-go-further-afield-where-us-tariffs-dont-reach-2024-11-03/>

Amy Sood, "Indonesia emerges as new hub for Chinese solar firms amid Trump's tariffs on Southeast Asia," *South China Morning Post*, May 2, 2025. Accessed at: <https://www.scmp.com/week-asia/economics/article/3308888/indonesia-emerges-new-hub-chinese-solar-firms-amid-trumps-tariffs-southeast-asia>

My final point for the Commission today is that these NMPP response efforts I have described so far will be more effective if we are able to coordinate them with allies and partners. These efforts will need to take into account the strategic objectives of the countries we ask to coordinate with us and the extent to which the United States is willing to support those objectives.

Coordinating NMPP responses with likeminded countries has multiple advantages. In some cases, such as the clean energy and emerging technology sectors, the United States simply does not have deposits of the raw materials necessary to onshore the full supply chains. Working with allies and partners could help to secure alternative sources of raw materials and diversify away from the PRC. In other cases, working with allies and partners would increase the effectiveness of our NMPP responses. We know the PRC will adapt its strategy to maintain its dominant position in the global market, including by seeking production locations outside the PRC and consumer markets outside the United States. If other countries pursue similar NMPP responses, such as procurement policies, trade enforcement actions, or market standards, it would be harder for the PRC to find alternative markets or circumvent our NMPP responses by investing in or transshipping through other countries.

Coordinated trade enforcement actions and market-shaping policies could also potentially increase the costs to the PRC for its NMPP, making it more difficult for them to maintain the measures over time. For example, the PRC has sought to weaponize U.S. dependencies and those of our allies and partners by imposing export controls on certain critical minerals in response to U.S. export controls on semiconductors.¹⁹ The PRC's objective is to coerce us to rescind the export controls or to make it less likely we will consider similar action in the future. If we work together with allies and partners to find alternative sources of these and other materials and neutralize the impact of the PRC's coercion, the PRC might reconsider the economic viability of their export controls over the long-term.

Achieving greater coordination among allies and partners will not be easy, however. We should not assume that our allies and partners will have the same motivations to respond to PRC NMPP that we do, particularly when our primary objective is U.S. supply chain resilience. Other countries may be wary of responding to PRC NMPP in a way that suggests they are picking sides between the United States and China or that increases the risk of PRC retaliation or coercion. Countries will also consider the United States' bilateral trade policy and trade enforcement actions in determining whether it is in their interest to coordinate a response to the PRC's NMPP.

Moreover, countries may not share our assessment of PRC NMPP in all cases. When the PRC invests in other countries as a workaround to U.S. trade enforcement actions, for example, we should not assume that the recipients of that investment will consider it market-distorting or a threat to U.S. or global supply chain resilience. Recipient countries may see PRC investment as a crucial step to diversifying their economy or moving up the value chain in a sector, even if the newly relocated PRC producers maintain their unfair trade practices. Simply asking that country to refuse investment or divest from PRC state-owned enterprises ignores the benefits to that country and is unlikely to succeed.

¹⁹ FT reporters, "China retaliates against latest US chip restrictions," *Financial Times*, December 3, 2024. Accessed at: <https://www.ft.com/content/eca9a562-ffc7-4989-bbf6-734997409265>

Any efforts to coordinate NMPP responses and supply chain resilience efforts will need to be combined with efforts by the United States to develop a common understanding of the singular risk PRC NMPP policies pose to their supply chain resilience and global competitiveness. U.S. efforts to support partner countries' economic security or economic growth may be necessary to demonstrate the United States is a reliable alternative partner and to provide tangible economic benefits in place of PRC-provided investments. Finally, NMPP coordination efforts will require diplomatic engagement at all levels of the USG to build trust and a shared vision of the objectives and strategy with allies and partners. These efforts, just like our own NMPP responses, should be pursued over the long-term and updated as appropriate.

Conclusion

In sum, the Commission is right to be focused on the PRC's evolving strategies to dominate and distort sectors in the global economy. As the Commission considers the best way to respond to the PRC's efforts and China Shock 2.0, I recommend that we consider any NMPP responses as part of our broader efforts to strengthen U.S. supply chains resilience and promote our economic security. We should aim to take action early and comprehensively to make our responses more effective. We should develop and maintain a modern, flexible toolkit necessary to develop and protect the supply chains necessary for our economic security. And we should seek to collaborate with allies and partners on all of the above to expand the impact of our efforts.

Thank you for the opportunity to testify today, and I would be happy to answer your questions.