

COMPREHENSIVE LIST OF THE COMMISSION'S 2025 RECOMMENDATIONS

Part II: Efforts to Remake the World Order

Chapter 3: Axis of Autocracy: China's Revisionist Ambitions with Russia, Iran, and North Korea

The Commission recommends:

1. Congress consider legislation establishing a consolidated economic statecraft entity to address the evolving national security challenges posed by China's systematic and persistent evasion of U.S. export controls and sanctions.

This new unified economic statecraft entity, at a minimum, should include: the Bureau of Industry and Security (U.S. Department of Commerce), the Office of Foreign Assets Control (U.S. Department of the Treasury), the Bureau of International Security and Nonproliferation's Office of Export Control Cooperation (U.S. Department of State), the Defense Technology Security Administration (U.S. Department of Defense), and other appropriate organizations across the executive branch.

This entity should be:

- Integrated into the Intelligence Community with enhanced access to real-time intelligence on evasion networks and real-time intelligence-sharing capabilities with industry to identify emerging evasion tactics;
- Equipped with enforcement authorities comparable to those wielded by the Treasury Department in the financial sanctions sphere, including law enforcement authorities to pursue aggressive enforcement against violators;
- Structured as a direct report to a single cabinet official or the President of the United States so as to ensure strategic coordination across government, unencumbered by the inter-agency processes; and
- Equipped with resources for technology development, analysis, and international coordination and authority to implement robust verification systems and supply chain tracking technologies.

This recommendation addresses the critical gap between export controls and sanctions as written and their actual enforcement, recognizing that China and Russia continue to successfully circumvent existing safeguards while U.S. technological advantages erode. Modernizing export controls and sanctions infrastructure

represents an essential evolution of U.S. economic statecraft for the strategic competition era.

The United States urgently requires modernization of its export controls and sanctions regime to counter China's systematic and persistent circumvention tactics. The current fragmented approach across multiple agencies dilutes accountability and prioritization. Consolidating these authorities under a single entity would create clear ownership, institutional incentives to prioritize enforcement, and concentrated resources dedicated to countering circumvention. Today's dispersed structure does not enable such focused effort. The Commission notes that Congress passed the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), which strengthened the Committee on Foreign Investment in the United States. Since the passage of FIRRMA and the Export Control Reform Act of 2018 (ECRA), economic statecraft has evolved dramatically, revealing significant gaps in enforcement of export controls and sanctions. The Commission defers to congressional committees regarding the optimal organizational placement of this consolidated authority, recognizing that the primary objective is ensuring America's key offensive tools of economic statecraft are modernized, adequately resourced, and strategically coordinated to address 21st-century threats.

2. Congress direct the Intelligence Community (IC) to produce, within 180 days, an assessment of China's support for Russia's war against Ukraine. This report should examine all the various forms of Chinese assistance and sanctionable activities, including but not limited to economic, technological, military, intelligence, information, and cyber operations, and assess how such support has affected the conduct of the war. In addition to a classified report to the relevant committees of Congress, the IC should be directed to produce an unclassified version suitable for wider dissemination.
3. Congress pass legislation to create an Undersea Cable Security Initiative to counter Chinese and Russian sabotage of undersea cables. The legislation should:
 - Ban Chinese vessels from laying, maintaining, and repairing U.S.-invested cables;
 - Direct the U.S. Department of Homeland Security, in coordination with other relevant agencies, to take measures to monitor and secure critical cables, including through the use of sensors, surveillance satellites, and joint coast guard patrols with allies and partners; and
 - Direct the U.S. Department of State, in coordination with other relevant agencies, to work with allies and partners to support the development of a multinational fleet of cable repair ships to respond rapidly to incidents of sabotage.

Chapter 4: Crossroads of Competition: China and Southeast Asia

The Commission recommends:

4. Congress direct the President to create an interagency task force to combat scam centers, which are primarily operated by Chinese criminal networks in Southeast Asia and defraud Americans of billions of dollars annually. The task force should:
 - Work with the Intelligence Community to:
 - Assess the extent to which China has obtained Americans' sensitive personal data stored on computers and phones confiscated in raids on scam centers and evaluate how Beijing could use that data; and
 - Prepare a report in both classified and, if possible, unclassified form detailing the extent to which the Chinese government has ties to the individuals and criminal enterprises that run scam centers.
 - Foster cooperation with U.S. technology companies and financial intermediaries to detect and stop scams, particularly cryptocurrency investment fraud;
 - Create training programs for U.S. law enforcement on sophisticated new cyber scams and implement a national public awareness campaign;
 - Enhance law enforcement cooperation and intelligence sharing with allies and partners to dismantle scam centers, recover stolen assets, and protect victims' personal data; and
 - Implement sanctions on individuals, corporations, and foreign government officials that perpetrate and enable online scams.
5. Congress pass legislation to equip the Philippines to more effectively counter China's military aggression and malign influence and support U.S. national security goals in the region. The legislation should:
 - Support the Philippines Coast Guard (PCG) on the front lines of deterring Chinese aggression by:
 - Providing the necessary resources to the U.S. Departments of State, Defense, and Homeland Security to maintain PCG capacity-building programs funded by the Bureau of International Narcotics and Law Enforcement Affairs (INL); and
 - Ensuring the PCG is prioritized in Foreign Military Financing (FMF).
 - Enhance Philippines engagement with the Quadrilateral Security Dialogue (Quad) by directing the State Department to develop a Quad Plus dialogue and/or working group on gray zone or ICAD (illegal, coercive, aggressive, and deceptive) activities.
 - Provide the necessary resources and direct the State Department and other implementing agencies to prioritize initiatives related to:

- Cybersecurity, to counter attacks on the Philippines' government and critical infrastructure;
 - Energy security and digital infrastructure, to support economic development, including near U.S. military installations, and to secure connectivity in the Indo-Pacific;
 - The Luzon Economic Corridor (LEC) initiative with the United States, Japan, and the Philippines, to develop infrastructure, connectivity, and supply chains across the Luzon Island region;
 - Emergency preparedness, to support disaster response and joint U.S.-Philippines defense infrastructure development; and
 - Public health, in part to maintain and build goodwill with the Filipino public.
- Utilize the Quad Critical Minerals Initiative to support the Philippines' development of alternative critical minerals supply chains, including in coordination with Indonesia and other relevant ASEAN states. In coordination with partners, funding from the U.S. International Development Finance Corporation and Export-Import Bank of the United States should prioritize the development of the Philippines' domestic refining and processing capabilities and provide export credit insurance and supply chain finance solutions.
 - Strengthen defense and commercial shipbuilding in the Philippines in coordination with broader efforts among Indo-Pacific allies, including South Korea and Japan, and support mechanisms to enhance maintenance, repair, and overhaul services in the Philippines.
6. Congress pass legislation to restore Radio Free Asia's (RFA) full funding and operations by providing a direct appropriation to RFA or providing funding through a grant agreement with another entity, such as the National Endowment for Democracy. The legislation should:
- Preserve RFA's ability to report on events and issues in China that are censored or unreported by Chinese state-controlled media;
 - Enhance RFA's unique capacity to break through Beijing's "Great Firewall" and connect to people in China through its Mandarin, Cantonese, Tibetan, and Uyghur language services; and
 - Endorse and strengthen RFA's capability to counter Chinese influence and propaganda throughout Asia by providing local-language information about China's repressive, coercive, and aggressive actions—such as incursions in the South China Sea, threats against Taiwan, and the harmful effects of Belt and Road Initiative projects.

Chapter 5: Small Islands, Big Stakes: China's Playbook in the Pacific Islands

The Commission recommends:

7. Congress pass a Pacific Islands Security Initiative bill that would:
 - Bolster U.S. Coast Guard cooperation with Pacific Island countries and provide training and resources to support Pacific Island countries' efforts to enhance law enforcement capacity, improve maritime domain awareness, and combat illegal, unreported, and unregulated (IUU) fishing;
 - Strengthen economic and security assistance to Pacific Island countries to support U.S. national security interests and the priorities of partner countries;
 - Provide dedicated funding for Voice of America and public diplomacy programs focused on investigative journalism and countering disinformation in the Pacific Islands;
 - Create rapid response teams of legal, financial, and information specialists to support efforts by Pacific Island countries to counter Chinese malign influence; and
 - Assess how to enhance U.S. deterrence in the Pacific Islands region, including the advisability of offering Compact of Free Association (COFA) agreements to additional countries.

Part III: Competition in Contested Frontiers

Chapter 6: Interlocking Innovation Flywheels: China's Manufacturing and Innovation Engine

The Commission recommends:

8. See the Commission's classified recommendation annex for a recommendation and discussion relating to U.S.-China advanced technology competition.
9. Congress establish as a strategic national objective that the United States build a resilient bioeconomy industrial base and unlock biology as a general-purpose technology before the end of the decade and support this objective through the following actions:
 - Resource the National Institute of Standards and Technology (NIST) to establish a Bio-Measurement Laboratory (BML). The BML should develop, support, and promulgate standards for biological measurements, materials, and models; advance measurement science and tools for biotechnology; and ensure U.S. standards are adopted globally as the foundation of the 21st-century bioeconomy.
 - Expand the U.S. Department of Energy's Loan Programs Office's (LPO) lending authority and capacity to include biotechnology projects. Recognizing that the biotechnology sector (outside of pharmaceuticals) faces a financing shortage that threatens U.S. competitiveness, Congress should authorize the LPO to provide loan guarantees and direct loans for bio-

technology manufacturing, infrastructure, and commercialization projects. All of these efforts should focus on scaling, not on pilot projects. This expansion should include:

- Explicit authority for the LPO to finance biotechnology projects under its other lending programs;
- Appropriations to cover the upfront costs of making biotechnology loans; and
- Faster application timelines and reduced bureaucratic requirements for biotechnology companies to obtain loans.
- Strengthen and expand the U.S. Department of Agriculture's BioPreferred program to establish the Federal Government as an anchor customer for the bioeconomy by:
 - Establishing binding multi-year procurement commitments for biobased products across federal agencies, with priority for replacing defense and infrastructure materials currently sourced from countries of concern;
 - Expanding BioPreferred program eligibility to include state, local, and tribal governments as well as universities, enabling broader adoption of biobased products;
 - Increasing appropriations for the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program (Section 9003) loan guarantees; and
 - Directing federal agencies to set quantified targets for biobased product adoption in their supply chains and report annually on progress toward reducing strategic dependencies.

The United States currently faces a future in which it depends on China for access to the most cutting-edge biotechnology innovations, sophisticated biomanufacturing equipment, and advanced biomaterials. The coordinated investments in standards development, measurement science, and deployment financing outlined above are essential to ensure the United States leads in the transformation of biology into a general-purpose technology capable of producing up to 60 percent of physical goods in the global economy by mid-century while maintaining national security, supply chain resilience, and economic competitiveness against strategic competitors.

10. Congress strengthen the U.S. Department of Commerce, Bureau of Industry and Security's (BIS) ability to manage strategic competition with China in fast-moving technology sectors, such as leading-edge semiconductors used in artificial intelligence (AI) applications, and increase congressional oversight, including by:
 - Directing BIS to use existing authorities to require tracking technology for export-controlled advanced chips to detect and combat diversion to countries of concern;
 - Shifting the U.S. export control regime on advanced chips from a "sell" model to a "rent" model by mandating that any advanced chips above a certain threshold that are not designated as prohibited for export be accessible exclusively via

the cloud. To do this, BIS shall create a license exception in the Export Administration Regulations for renting cloud access to export-controlled AI compute infrastructure with performance capabilities above a certain threshold to entities in countries of concern:

- BIS shall determine the applicable compute threshold, with periodic adjustments as necessary to ensure the threshold adequately mitigates national security risks while keeping pace with technological developments and other trends; and
- BIS shall require licensees to implement know-your-customer (KYC) identification programs and report suspicious activity proactively to the agency when entities domiciled within or controlled by countries of concern attempt to access the cloud infrastructure outside of approved licensing procedures or when approved entities use rented cloud infrastructure for suspected military or espionage purposes.
- Directing the Administration to establish a systemic, integrated intelligence unit embedded at BIS, including analysts from the Intelligence Community, to formally integrate technical, analytic, financial, and collection expertise to improve enforcement and to report to relevant committees of Congress outlining the additional resources, authorities, capabilities, and subject matter experts needed to anticipate and counter evasion strategies;
- Directing the agency to move all items subject to a “presumption of denial” license application review standard for export to China or a Chinese entity to a “policy of denial.” This would ensure the agency’s policy prioritizes national security in assessing export license applications for applicable items on the Commerce Control List or for technologies provided to companies on the Entity List; and
- Establishing a whistleblower incentive program for private citizens providing information on export control violations, similar to the program available to the U.S. Department of the Treasury under 31 U.S.C. § 5323.

The recommendation seeks to address important needs in enhancing BIS’s capacity to enforce export controls consistent with congressional intent in the Export Control Reform Act of 2018. It complements the Commission’s economic statecraft entity recommendation in Chapter 3 for long-term strengthening of economic statecraft functions into a single entity while recognizing that implementation of such a recommendation to Congress is likely a multi-year process and BIS enforcement needs are urgent and ongoing.

11. Congress establish a “Quantum First” by 2030 national goal with a focus on quantum computational advantage in three mission-critical domains—cryptography, drug discovery, and materials science. To achieve this ambitious national goal, the Commission recommends Congress should take the following actions:

- Provide significant funding for U.S. quantum development, focused on scalable quantum computing modalities, secure communications, and post-quantum cryptography. To secure U.S. leadership, Congress should pair this funding with quantum workforce development initiatives, including expanded fellowships, talent exchange programs with allies, and dedicated curricula aligned with mission needs.
- Prioritize modernization of enabling infrastructure, including cryogenic laboratories, quantum engineering centers, and next-generation fabrication and metrology facilities. These assets are essential to converting scientific discovery into deployable systems, and many current research environments remain under-resourced or technologically outdated.
- Establish a Quantum Software Engineering Institute (QSEI) focused on developing the software foundations for scalable, secure, and interoperable quantum computing. The QSEI should also coordinate an open source ecosystem to accelerate application development and build a trusted quantum software supply chain. Modeled on the National Artificial Intelligence Research Institutes and National Manufacturing Institutes, the QSEI would ensure that U.S. quantum hardware is matched by world-class software capabilities, enabling early operational advantage across science, industry, and defense.

Whoever leads in quantum (and artificial intelligence) will control the encryption of the digital economy; enable breakthroughs in materials, energy, and medicine; and gain asymmetric and likely persistent advantage in intelligence and targeting. It is imperative that the United States treat quantum not as a research silo but as a mission-critical national capability—and act accordingly.

While the United States retains world-leading research capabilities, China has mobilized state-scale investment and industrial coordination to dominate quantum systems and standards. For the purposes of this recommendation, the Commission presumes that China is actively racing to develop cryptographically relevant quantum computing capabilities and is likely concealing the location and status of its most advanced efforts. This is a domain where first-mover advantage could yield irreversible strategic consequences, particularly given the vulnerability of current global systems that rely on public key cryptography.

The Quantum First 2030 timeline is essential to ensure the United States achieves quantum leadership before any adversary can leverage these capabilities against American interests. Quantum technologies—spanning computing, sensing, and communication—will shape the future of strategic advantage.

12. Congress enact legislation to promote investments that further three objectives: (1) continued U.S. leadership in advanced manufacturing and the associated workforce; (2) critical supply chain resilience; and (3) the security of U.S. critical infrastructure, including energy infrastructure. Such legislation should include support for programs and authorities to:

- Establish an industrial finance entity oriented toward domestic investments. Its authorities should include financing, equity investments, and demand-side mechanisms like purchase guarantees and, with respect to inputs at risk because of nonmarket practices, price floors for domestic procurement. Congress should consider a board membership structure appointed by the Speaker and Minority Leader of the House of Representatives and the Majority and Minority Leaders of the Senate;
- Reauthorize and expand, or create complementary legislation expanding, the authorities created by the CHIPS and Science Act of 2022 with respect to the three noted objectives, including:
 - Establishing funds to provide grants, loans, and loan guarantees to key strategic sectors;
 - Extending the advanced manufacturing investment tax credit to key strategic sectors;
 - Providing support to workforce development and education efforts, including the full range of skills necessary for production in the United States; and
 - Funding national hubs for research and development in key strategic sectors.
- Direct and expand procurement authorities to enable the Administration to utilize the full acquisitions toolkit to address supply chain vulnerabilities and nonmarket challenges, including by:
 - Leveraging and expanding industrial mobilization authorities;
 - Adding dual sourcing requirements to acquisition plans for key inputs, such as foundational semiconductors and printed circuit boards;
 - Providing for, where appropriate, a true-up reimbursement for U.S. manufactured products in critical sectors; and
 - Requiring services like software testing and simulation to be performed by U.S. firms on U.S.-owned servers operated in the United States.
- Procurement actions and authorities should be stated with sufficient notice and lead time to allow firms to adjust necessary supply chains, and Congress should consider a multi-step process to achieve desired outcomes with limited disruption.

The United States must continue to support sustained investment in advanced manufacturing and basic and applied research to maintain technological leadership and remain on the cutting edge of innovation. The Commission notes that China is advancing in multiple domains and continues to deploy licit and illicit means to gain a manufacturing and technological edge, which includes a coordinated and well-funded industrial policy alongside nonmarket policy distortions.

13. Congress direct the Secretary of Defense to establish a Government-Owned, Contractor-Operated Rapid Manufacturing Facility (GOCO RMF) focused on high-rate, reconfigurable production of airborne and maritime unmanned systems (both lethal and non-lethal), excluding major platforms such as ships and submarines.

The facility should:

- Serve as a surge-ready national asset, able to pivot between different system types based on operational need—including attritable drones, loitering munitions, autonomous surface vessels, and mission-tailored payloads;
- Leverage modular architectures and advanced manufacturing techniques—such as additive manufacturing, robotics, and digital engineering—to enable high-mix, low-volume, or high-volume production on demand;
- Retrain both U.S. Department of Defense personnel and the industrial workforce in the principles of rapid design, agile production, and iterative fielding, enabling a cultural shift away from long-cycle, perfect-on-paper procurement models;
- Be operated by a competitively selected contractor or consortium with a proven track record in agile manufacturing, rapid prototyping, and defense system integration;
- Integrate and coordinate with existing efforts—including the Defense Innovation Unit’s Blue Manufacturing Initiative, the Manufacturing Innovation Institutes, and Defense Advanced Research Projects Agency (DARPA) transition partners—while serving as the unifying hub for defense-relevant production at speed; and
- Prioritize the production of systems that can be fielded within 12 to 24 months, using iterative deployment and feedback to improve successive generations rather than deferring capability in pursuit of flawless specifications.

In the event of conflict with China, the United States would face an adversary with an industrial base far exceeding its capacity, efficiency, and adaptability, and would confront modes of warfare that leverage China’s industrial strengths and emerging capabilities in autonomy and embodied intelligence. The GOCO RMF represents an initial effort to maintain preparedness and deterrence while establishing a model for defense procurement that would better position the military services to match and exceed the pacing challenge from the People’s Liberation Army.

14. Congress recognize that autonomous systems—including humanoid robots, industrial automation, and unmanned systems—represent the physical embodiment of artificial intelligence and a critical domain where the People’s Republic of China is rapidly advancing. To address the challenges from China’s development and deployment of autonomous systems, Congress should direct the President to establish an Interagency Task Force on Autonomous Systems, chaired by the National Security Advisor,

to coordinate federal efforts and report to Congress within 180 days with specific implementation plans requiring:

- The U.S. Department of Defense to establish a Robotics and Automation Task Force with authority to rapidly prototype and deploy autonomous systems across military logistics, maintenance, security, reconnaissance, and combat operations;
- The U.S. Department of Commerce to investigate Chinese robotics dumping under applicable trade remedy laws, lead international standards development, and expand export controls on advanced autonomous technologies to China;
- The U.S. Department of Homeland Security to assess vulnerabilities from Chinese-made autonomous systems in U.S. critical infrastructure and establish mandatory cybersecurity standards;
- The U.S. Department of Labor to launch workforce retraining programs and robotics technician certifications for workers displaced by automation;
- The U.S. Departments of Transportation, Energy, Agriculture, and Health and Human Services to accelerate regulatory approvals for autonomous vehicles, infrastructure inspection systems, precision agriculture equipment, and medical robotics;
- The U.S. Department of the Treasury to expand Committee on Foreign Investment in the United States (CFIUS) review of all Chinese investment in U.S. robotics companies and impose sanctions on Chinese robotics firms supporting the People's Liberation Army; and
- The U.S. Department of State to counter Chinese robotics exports to developing countries and lead allied coordination on autonomous weapons arms control.

China is deploying autonomous systems at scale across its economy and military while the United States remains mired in pilot programs and bureaucratic delays. These systems will transform civilian life, manufacturing, and warfare faster than current U.S. policy anticipates. Without immediate and decisive action across all departments and agencies, the United States will cede a strategic advantage that may prove impossible to recover.

Chapter 7: The Final Frontier: China's Ambitions to Dominate Space

The Commission recommends:

15. To preserve and strengthen U.S. primacy in the critical space domain as China pursues sweeping advancements across military, commercial, and civil space sectors, Congress should:
 - Increase or reallocate appropriations for the U.S. Space Force to levels necessary to achieve space control and establish space superiority against China's rapidly expanding space and counterspace capabilities.

- Direct the U.S. Department of Defense to enhance the U.S. Space Force's capacity to conduct space wargaming and develop realistic modeling and simulation of potential threats from China, including training programs for space operators on warfighting tactics, techniques, and procedures necessary for space control.
- Conduct oversight hearings and other activities to ensure the United States maintains primacy in the space domain by identifying investments in cutting-edge space technologies and assessing China's space capabilities and threats to U.S. space industrial base capacity.
- Direct the U.S. Department of Commerce, in coordination with the U.S. Departments of Defense, State, and the Treasury, to produce an unclassified report to Congress within 180 days identifying China's commercial space capabilities, the dual-use nature of Chinese space technologies, and China's commercial space industry's support to the People's Liberation Army.
- Direct the U.S. National Space Council to increase international outreach on space launch services and ensure the United States remains the partner of choice for both government and commercial space launch.
- Express support for the strategic importance of U.S. leadership in civil space exploration and direct relevant agencies to assess the progress of the Artemis Accords, evaluate risks China poses to U.S. civil space priorities, including National Aeronautics and Space Administration (NASA) programs, and ensure program delays do not undermine U.S. credibility in establishing global norms for lunar and Martian exploration.

Part IV: Exposure to China's Economic Distortions and Coercion

Chapter 8: China Shock 2.0

The Commission recommends:

16. Congress enact legislation to:

- Establish a rebuttable "presumption of denial" with respect to foreign investment in U.S. companies that could support the acquisition by China or other foreign adversaries of the capabilities necessary to attain self-sufficiency in critical technologies or otherwise impair the economic or national security of the United States, including:
 - Investments in technology areas prioritized in China's or other foreign adversaries' industrial policies, such as Made in China 2025, and successor initiatives;
 - Investments in U.S. firms that have received funding from the U.S. Departments of Defense, Commerce, and Energy, or other U.S. government funding for projects critical to national security and competitiveness; and

- Other investments that may provide privileged access to expertise, business networks, and production methods critical to maintaining U.S. economic and technological competitiveness.
- Require the review of greenfield investments in the United States by Chinese-controlled entities to assess any potential harm to U.S. national and economic security. And, consistent with the previous provision, establish a rebuttable presumption of denial with respect to such greenfield investments if their operations would meet any of the criteria enumerated in that provision; and
- Direct the Administration to engage with allies and partners to adopt similar measures through bilateral or multilateral engagement or agreements.

The Commission has consistently provided Congress recommendations regarding the improvement of and expansion to the Committee on Foreign Investment in the United States (CFIUS), including a recommendation in 2023 and a slate of recommendations in 2017, many of which were adopted under the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA). The Commission continues to raise concerns that the current structure of foreign investment screening is insufficient to protect the United States and U.S.-developed intellectual property and that the United States needs stronger efforts to coordinate with allies and partners to guard against these emerging threats.

17. Congress develop legislation to provide for cooperation on and mutual recognition of unfair trade practices.

- The procedures could provide for a voluntary, expedited mechanism to support coordinated application of trade remedies against unfair trade practices, including but not limited to antidumping (AD) and countervailing duty (CVD) orders.
- Under this procedure, the United States and partner countries could recognize that an AD/CVD finding is a finding of an unfair foreign trade practice. The United States could then request a third-party country take action within its own market to ensure a coordinated response to the unfair trade practice, and partner countries could request similar action by the United States.

The United States and its allies and partners have multiple procedures to protect their domestic markets from unfair trade practices. Nonetheless, these procedures are lacking when the exports of domestic firms are harmed by unfair trade practices in third countries. That is, existing authorities enable the U.S. government to protect U.S. manufacturers from products dumped in their home market, but not when those same products are dumped in a third country's market. The concept of addressing unfair trade practices in third-country markets, alongside home markets, is recognized in international trade

law but, in general, has been unutilized, harming U.S. firms and the firms of U.S. allies and partners.*

18. To address the harmful consequences of the Second China Shock—the massive outpouring of subsidized, underpriced Chinese manufactured goods now flooding the world economy and threatening to undermine the prospects for industrialization and future prosperity of developing countries while denying potential markets to U.S. exporters—Congress should:
 - Direct the U.S. Department of State, in conjunction with other agencies, to prepare a report detailing the impact of China's recent export surge on the developing world, proposing U.S. and allied policies to counteract its negative effects as part of a larger strategy for blunting the growth of China's global influence, and identifying ways in which the U.S. government may employ existing statutory authorities to work with foreign countries to respond collectively to the Second China Shock; and
 - Direct the Departments of State, the Treasury, and Commerce and the U.S. Trade Representative to establish an international forum to coordinate a multilateral response to the Shock, taking into consideration issues of reciprocal market access and ensuring fair treatment for U.S. exporters in third countries.

Chapter 9: Chained to China: Beijing's Weaponization of Supply Chains

The Commission recommends:

19. Congress build U.S. pharmaceutical supply chain resilience by increasing visibility into the supply chain, as well as tracking and reducing U.S. direct and indirect dependence on Chinese active pharmaceutical ingredients (APIs) and related key starting materials (KSMs), through legislation that:
 - Amends section 3112(e) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to expand the authority of the U.S. Food and Drug Administration (FDA) to require drug manufacturers to report volume and ultimate origin of APIs and KSMs used in drugs consumed in the United States, including sourcing of Chinese content through third countries. Based on this information, the FDA should:
 - Produce a confidential report analyzing U.S. vulnerabilities to Chinese APIs and KSMs. The report should identify the proportion of U.S. drug consumption that is dependent on foreign APIs and KSMs, determine vulnerabilities, and track trends over time, including anonymized aggregates of increases or decreases in U.S. dependency on China.

*Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, art. 14, 1868 U.N.T.S. 201; Third-Country Dumping, 19 U.S.C. § 1677k (1994); *Regulations Amending the Special Import Measures Regulations*, SOR/2023-26, *Canada Gazette*, Part II, 157, no. 5 (March 1, 2023): 396.

- Directs the FDA to identify regulatory authorities and deficiencies to support or incentivize the use of APIs and KSMs from sources with no China origin.
 - Directs the Centers for Medicare and Medicaid Services (CMS) to explore the use of procurement and reimbursement authorities to protect the U.S. and allies' API and KSM markets, which could include price floor commitments in support of U.S. industry to protect investments against nonmarket practices and price manipulation.
20. To support the U.S. Department of Commerce's Supply Chain Center in addressing the lack of sufficiently fine-grained, real-time data on U.S. dependence on China for materials and intermediate goods, the relevant committees of Congress should hold hearings on the activities of the Center, the adequacy of its funding, and the ways in which its work might be improved through the incorporation of data and techniques being developed in the private sector. The Supply Chain Center should then be required to provide an annual report identifying a set of goods and materials deemed critical to national defense and/or the functioning of the civilian economy, detailing trends in U.S. dependence on China for those goods and materials, and reporting on the status of policies and programs intended to limit that dependence.
 21. Congress expand and modernize applicable lending, investing, and grantmaking authorities for the U.S. International Development Finance Corporation, Export-Import Bank of the United States (EXIM), and other strategic financing vehicles established by the U.S. government to ensure these financing entities are adequately positioned to utilize significant portions of their funding to prioritize critical U.S. needs in geostrategically relevant sectors ("strategic projects"), including:
 - Supply chains for critical and emerging technologies and related enabling inputs (e.g., critical minerals, critical minerals processing, semiconductors, artificial intelligence, biotechnology, quantum information sciences, digital technology, etc.);
 - In sectors where reliance on supply chains based in China poses serious economic or national security risk to the United States, as determined by the President, in consultation with Congress; and
 - In countries of geostrategic importance to U.S.-China competition as determined by the President, in consultation with Congress, for projects relevant to such competition.

Congress should also ensure that current limits applicable to each of these entities, including EXIM's 2 percent default cap, content requirements, and limits on types of recipients, do not unduly constrain U.S. entities from funding or advancing strategic projects.

Chapter 10: Power Surge: China's Electrification Drive and Push for Global Energy Dominance

The Commission recommends:

22. To protect the U.S. power grid from the economic and cybersecurity threats posed by Chinese-made components, Congress should:
 - Prohibit the import of energy storage systems with remote monitoring capabilities that are manufactured by or made with technology licensed from Chinese entities.
 - Allocate additional funds to the U.S. Department of Energy for grid expansion, modernization, and cybersecurity grant and loan programs and prohibit the use of those grants and loans to purchase goods or services or license technology from entities that pose a cybersecurity risk to the U.S. power grid to be designated by the Secretary of Energy, in coordination with the Secretary of Defense, Secretary of Homeland Security, the Director of the National Security Agency, and the heads of other federal departments and agencies, as the Secretary determines appropriate.
 - Direct the Department of Energy and Federal Energy Regulatory Commission to strengthen supply chain risk management requirements for interstate electric transmission utilities by:
 - Requiring utilities to identify all Chinese-origin components within their high- and medium-impact bulk electric system and protected cyber assets;
 - Developing requirements to prohibit the installation of or mitigate the cybersecurity risk posed by those components;
 - Requiring that future procurement of such cyber assets come with full software, firmware, and hardware bills of materials;
 - Mandating that interstate transmission utilities report on their use of Chinese-origin components to their distribution utility customers; and
 - Coordinating with the U.S. Department of Homeland Security and other relevant agencies to provide technical assistance to implement these requirements.
23. To support the adoption of nationwide cybersecurity standards and tools to protect the U.S. power grid from Chinese state-backed cyber actors, Congress should:
 - Require the Federal Energy Regulatory Commission (FERC), in consultation with the Secretary of Energy, the North American Electric Reliability Corporation, the Electricity Subsector Coordinating Council, and the National Association of Regulatory Utility Commissioners, to conduct a study and report on transmission and distribution utilities' adoption of minimum cybersecurity standards established pursuant to National Security Memorandum 22 or existing mandatory FERC requirements.

- Direct the U.S. Department of Energy to further authorize and fund projects at the National Laboratories to produce digital twins (virtual replicas of physical systems) for the power grid, leverage artificial intelligence to detect and patch vulnerabilities across the grid, and incorporate digital twins and artificial intelligence into cybersecurity simulations and exercises.
- Require the National Laboratories, U.S. Department of Justice, and Federal Bureau of Investigation to issue a joint report and briefing to Congress on known cybersecurity threats within the United States related to energy critical infrastructure.

Part V: Taiwan and Hong Kong

Chapter 11: Taiwan

The Commission recommends:

24. Congress direct the U.S. Department of Defense, in coordination with the U.S. Indo-Pacific Command (USINDOPACOM), to produce a report in both classified and unclassified form assessing its compliance with the legal requirement established by Congress in the Taiwan Relations Act “to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” The report should include:

- An assessment of U.S. capacity to respond to a Taiwan contingency;
- An assessment of U.S. capacity to respond to other forms of coercion being used by China to threaten the security of Taiwan (e.g., China’s gray zone tactics in and around Taiwan); and
- An assessment of U.S. capacity to comply with the Taiwan Relations Act in scenarios where the United States is also engaged in responding to aggression by Russia, Iran, or North Korea in other regions.

In each case, the report should identify any gaps that currently exist or will exist based on likely trajectories of resources and capabilities.

25. Congress direct the U.S. Department of State to work with Taiwan to open a Foreign Military Sales (FMS) case for non-weaponry support services to advance regional U.S. posture initiatives that would enhance the U.S. deterrence capacity around Taiwan.
 - The case should specifically bolster existing U.S. initiatives, such as the U.S.-Philippines Enhanced Defense Cooperation Arrangements (EDCA) on the Luzon and Palawan Islands as well as efforts in the southwestern Japanese island chain and on the Pacific Islands that recognize Taiwan.

- Under this program, Taiwan would fund projects in third countries, ultimately benefiting its own security.
26. Congress pass legislation affirming strong, bipartisan support for the Vatican-Taiwan diplomatic relationship. The legislation should:
- Recognize that the Vatican is one of Taiwan's most significant diplomatic partners, providing essential international legitimacy and support to the people of Taiwan;
 - Express opposition to Chinese government pressure on the Holy See to sever ties with Taipei;
 - Endorse the establishment of a trilateral mechanism with Taiwan and the Vatican to advance religious freedom and human rights globally; and
 - Encourage Members of Congress to underscore U.S. support for the Vatican-Taiwan diplomatic relationship in all engagements with Vatican officials.

Chapter 12: Hong Kong

The Commission recommends:

27. Given Hong Kong has become a central global hub for sanctions evasion that supports Russia, Iran, and North Korea, Congress pass legislation to:
- Condition Hong Kong's continued status as an official off-shore U.S. dollar (USD) clearing center on compliance with U.S. sanctions, including by providing U.S. authorities full visibility into transactions conducted through Hong Kong's USD Clearing House Automated Transfer System (USD CHATS);
 - Direct the U.S. Department of the Treasury to assess the extent to which transactions in Hong Kong via USD CHATS are facilitating evasion of sanctions or export controls and determine the feasibility of replacing it with the Clearing House Interbank Payments System (CHIPS);
 - Authorize secondary sanctions for the facilitation of sanctions and export control violations by Chinese and Hong Kong financial institutions, including codifying authorities established by executive order to impose secondary sanctions on Chinese and Hong Kong financial institutions facilitating evasion on behalf of Russian, Iranian, and North Korean entities;
 - Direct the U.S. Department of Commerce, Bureau of Industry and Security (BIS) to require heightened due diligence for sales of any Common High Priority List (CHPL) items to China or Hong Kong, given China's role as primary provider of such items to Russia;
 - Provide additional resources, technology, and staff to BIS and the Treasury Department's Office of Foreign Assets Control (OFAC) for enforcement of export controls and sanctions related to Hong Kong; and

- Create a new standing cross-agency enforcement task force with respect to sanctions and export control evasion through Hong Kong, including enforcement personnel relating to money laundering, financial sanctions, and export controls, to enhance overall enforcement efforts to shut down illicit evasion networks running through Hong Kong.
28. Congress codify Executive Order 13936 on Hong Kong Normalization that was issued on July 14, 2020, along with the Secretary of State's 2020 certification as required under the United States-Hong Kong Policy Act, to ensure the continued implementation of U.S. policy in response to Beijing's dismantling of Hong Kong's autonomy and the erosion of fundamental freedoms. The Executive Order determined that the Special Administrative Region of Hong Kong is no longer sufficiently autonomous to justify differential treatment in relation to the People's Republic of China under U.S. law. The legislation should include the following provisions:
- Permanently authorize all provisions of the Executive Order, including sanctions on individuals and entities responsible for undermining Hong Kong's autonomy;
 - Suspend Hong Kong's special trade preferences; and
 - Continue reporting requirements on the status of human rights and rule of law in Hong Kong.

Codification would protect these measures from potential reversal by future administrations without congressional input, send a strong bipartisan signal of support for the people of Hong Kong, and reinforce U.S. commitment to upholding international obligations under the Sino-British Joint Declaration.