U.S.-China Economic and Security Review Commission

2025 Report to Congress
Executive Summary and Recommendations

2025
REPORT TO CONGRESS
U.S.-China Economic and Security Review Commission

Executive Summary and Recommendations

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U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

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The Commission, a legislative branch entity, was created on October 30, 2000 by the Floyd D. Spence National Defense Authorization Act of 2001, Pub. L. No. 106–398 (codified at 22 U.S.C. § 7002), as amended by: The Treasury and General Government Appropriations Act, 2002, Pub. L. No. 107–67 (Nov. 12, 2001); The Consolidated Appropriations Resolution, 2003, Pub. L. No. 108–7 (Feb. 20, 2003); The Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006, Pub. L. No. 109–108 (Nov. 22, 2005); The Consolidated Appropriations Act, 2008, Pub. L. No. 110–161 (Dec. 26, 2007); The Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113–291 (Dec. 19, 2014); and Pub. L. No. 117–286 (Dec. 27, 2022). The Commission's full charter and statutory mandate are available online at: www.USCC.gov/charter.

Cover photo credit: U.S. Space Force is responsible for maintaining the Global Positioning System, U.S. Space Force graphic; official Made in China 2025 logo, PRC government; Putin, Xi, and Kim before a military parade in Tiananmen Square on September 3, 2025, Getty Images; scam call to cell phone, Shutterstock.

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November 18, 2025

The Honorable Charles E. Grassley
President Pro Tempore of the U.S. Senate, Washington, DC 20510

The Honorable Mike Johnson
Speaker of the U.S. House of Representatives, Washington, DC 20510

Dear Senator Grassley and Speaker Johnson:

On behalf of the U.S.-China Economic and Security Review Commission, we are pleased to transmit the Commission's 2025 Annual Report to Congress. This Report responds to our mandate "to monitor, investigate, and report to Congress on the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China." The Commission reached a broad and bipartisan consensus on the contents of this Report, with all 12 members voting unanimously to approve and submit it to Congress.

In accordance with our mandate, this Report, which is current as of October 10, 2025, includes the results and recommendations of our hearings, research, and review of the areas identified by Congress in our mandate, as defined in Public Law No. 106–398 (October 30, 2000) and amended by Public Laws No. 107–67 (November 12, 2001), No. 108–7 (February 20, 2003), 109–108 (November 22, 2005), No. 110–161 (December 26, 2007), No. 113–291 (December 19, 2014), and No. 117-286 (December 27, 2022). The Commission's charter, which includes the 11 directed research areas of our mandate, is included as Appendix I of the Report.

The Commission conducted six public hearings, taking testimony from 50 expert witnesses from government, the private sector, academia, think tanks, research institutions, and other backgrounds. For each of these hearings, the Commission produced a transcript (posted on our website at *www.USCC.gov*). This year's hearings included:

- Made in China 2025 – Who is Winning?
- An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea
- Crossroads of Competition: China in Southeast Asia and the Pacific Islands
- The Rocket's Red Glare: China's Ambitions to Dominate Space
- China's Domestic Energy Challenges and Its Growing Influence over International Energy Markets
- Dominance by Design: China Shock 2.0 and the Supply Chain Chokepoints Eroding U.S. Security

The Commission received a number of briefings, both unclassified and classified, by executive branch agencies, the U.S. military, the Intelligence Community, foreign government officials, and U.S. and foreign nongovernmental experts on a range of topics within the Commission's mandate. The Commission includes key insights gained through these briefings either in its unclassified Annual Report or, as appropriate, in a classified annex to that Report.

The Commission conducted official fact-finding travel this year to the Philippines, Indonesia, Vietnam, and Cambodia to hear and discuss perspectives on China's economic, foreign policy, and security activities in the region, U.S.-China relations, and trans-Pacific cooperation. In these visits, the Commission delegation met with U.S. diplomats, foreign government officials, business representatives, academics, journalists, and other experts. The Commission also conducted official fact-finding travel to U.S. technology companies and universities in southern California to enhance its understanding of quantum technologies and better evaluate strategic competition with China in this important sector. Throughout the year, the Commission relied substantially on the work of our excellent professional staff and outside contracted research (see Appendix IV) in accordance with our mandate (see Appendix I).

The Report includes 28 recommendations for congressional consideration. The Commissioners agreed that ten of these recommendations, which appear on page 12, are the most important for congressional action. The complete list of recommendations appears on page 46 at the conclusion of the Executive Summary.

We offer this Report to Congress in the hope that it will be useful in helping guide policies to better address the economic and national security implications of the U.S.-China relationship, while advancing American interests and values. Thank you for the opportunity to serve. We look forward to continuing to work with Members of Congress in the upcoming year to address issues of concern in the U.S.-China relationship.

Sincerely,

Reva B Price

Reva Price
Chair

Hon. Randall Schriver
Vice Chair

INTRODUCTION

In 2025, Beijing's diplomats traversed the world claiming that China—and not the United States—is the more responsible steward of international order and the global economy. Yet China's actions show that this rhetoric is far from the reality. Despite facing serious economic strains, over the past year Chinese leaders have continued to funnel state resources into high-tech manufacturing, expand evasive and coercive economic tools, export their problems abroad by flooding global markets with state-subsidized excess supply that distorts global prices and weakens competitors, and weaponize their leverage over supply chain chokepoints. Beijing has intensified its destabilizing gray zone activities, advanced its preparations for potential military conflict, and deepened its coordination with malign actors like Russia and Iran. Beijing has also continued its concerted efforts to establish regional economic and military hegemony in Southeast Asia and the Pacific Islands as stepping stones for projecting power toward its long-term goal of displacing the United States as the dominant power in the Indo-Pacific and, eventually, the world.

Industrial Policy and Imbalances Lead to Two-Speed Economy

In the concluding year of its Made in China 2025 industrial plan, China now possesses a hyper-charged, state-directed manufacturing base without historic parallel. Chinese firms count numerous successes in meeting ambitious market share and localization goals under policies like Made in China 2025. Yet the economy's greatest gains are not in exports or value-added growth but rather in the cumulative and overlapping capabilities of its industrial capacity built through years of state support and other distortive practices. China is now positioned to develop and scale new technologies and attain first-mover advantage in many industries of the future. At the same time, China's broader economy continues to experience malaise and structural weakness due to years of broken promises to rebalance. China's desire to move up the value chain, reduce its dependence on foreign technology, and make the world more dependent on its output means it will continue massive, distortionary policy support for strategic and favored sectors, even if that means slower growth elsewhere in its economy. This dual-speed trajectory of industrial overcapacity amid consumer stagnation poses a direct risk to U.S. competitiveness and the resilience of global markets.

China Shock 2.0

In 2025, China is on track to run the greatest trade surplus with the world, exceeding its own historically unprecedented $992 billion surplus in 2024. While China professes to be a responsible steward of the global economy, in practice it has continued to flout international trade rules even as it is the biggest beneficiary of those rules. Its heavily state-distorted economic model has resulted in systemic dumping and massive excess supply, which is now flooding emerging markets—causing major job losses and hurting the manufacturing sectors of developing economies all over the world. Thus far, Southeast Asia has been ground zero for this "second China Shock." China's surging exports of low-cost products like textiles and electronics to Southeast Asia have already lead to hundreds of thousands of job losses in Indonesia and contributed to thousands of factory closures in Thailand. These distortions are rippling outward, driving price collapses, political instability, and new dependencies across Africa, Latin America, and Eastern Europe. Without concerted efforts to counter China's unfair trade practices, China's economic model will continue to cause economic harm to countries around the world for years to come. Left unchecked, this wave of predatory overcapacity threatens to hollow out not only developing economies but also key segments of U.S. and allied manufacturing—eroding the industrial base essential to national security.

Leveraging Supply Chain Chokepoints and Security Vulnerabilities

For at least the past five years, China has deliberately pursued a strategy of expanding production and deepening global dependence on Chinese exports while reducing its own reliance on imports. This strategy builds on decades of industrial policy that led to a concentration of supply chains in China and undercut competitors by flooding global markets with subsidized, underpriced goods. It parallels a trend of China sharpening its economic statecraft toolkit and escalating economic coercion against foreign countries, firms, and individuals. In 2025, these trends converged as China leveraged its monopoly over the processing of rare earth elements in trade negotiations with the United States, imposing export restrictions on critical minerals and magnets essential to a range of manufacturing industries and defense technologies. While Beijing has recently relaxed some of these restrictions, it is also tightening its enforcement capabilities for the future—signaling its readiness to weaponize these chokepoints again when politically advantageous.

Beijing's successful use of economic coercion in bilateral trade negotiations highlights an open question for the future of U.S.-China relations: does the United States continue to have escalation dominance in imposing economic restrictions on China? Growing evidence suggests that advantage may be eroding. Critical minerals are only one example of China's leverage over essential supply chains, and the consequences of China weaponizing other chokepoints could be devastating. Chinese producers wield significant control over active pharmaceutical ingredients and key energy infrastructure equipment, and China is investing heavily to gain such leverage over foundational semiconductors. If China cut off access to these items, it could deprive Americans of lifesaving medicines and cause significant harm to the U.S. economy.

The prevalence of Chinese components—especially internet-connected devices with remote access capabilities—in U.S. critical infrastructure provide Beijing with yet another disturbing source of leverage over the United States. Chinese state-sponsored cyber actors such as Volt Typhoon pre-position assets inside of U.S. critical infrastructure, potentially enabling Beijing to disrupt U.S. power, communications, water, banking, transportation, and other vital systems in the event of a crisis or conflict. These intrusions amount to an operational rehearsal for coercion below the threshold of war.

Undermining Global Stability, Security, and Prosperity

Over the past year, China's external propaganda has accused the United States of undermining international order and attempted to cast Beijing as a force for global stability. In fact, however, China has only intensified its destabilizing gray zone activities in the Indo-Pacific and around the world. China's reckless maneuvers targeting the Philippines in the South China Sea—including one incident that ironically led to a collision of two Chinese vessels in August 2025—have come alarmingly close to killing a Filipino mariner and potentially triggering the U.S.-Philippines Mutual Defense Treaty. China has also globalized its gray zone operations—extending its coercive tactics beyond the first island chain by sabotaging undersea cables, conducting unannounced live-fire military exercises in the Tasman Sea, and launching cyberattacks targeting telecommunications networks across dozens of countries. These actions are designed not only to intimidate neighbors but also to test allied resolve, normalize Chinese coercion, and fragment collective responses. Besides its own malicious activities, Beijing continues to fuel violent conflicts in Ukraine and the Middle East by providing dual-use technologies to Russia and Iran. Beijing's support enables Moscow and Tehran to prolong wars of aggression while refining methods of sanctions evasion and battlefield coordination with direct application to a future Taiwan contingency. In all of these cases, China attempts to cloak its actions beneath a thin veneer of plausible deniability or legal justification, enabling Beijing to present itself a source of stability even as it undermines the very international order it claims to uphold.

Advancing Preparations for a Potential Conflict

China has continued to rapidly advance its capabilities to launch a successful invasion of Taiwan. The People's Liberation Army's (PLA) intensifying military activities near Taiwan—along with its introduction of new platforms designed to support an amphibious attack—have made it so that the PLA could pivot from a routine exercise to an actual blockade or invasion with almost no advance warning. Moreover, a troubling divergence has emerged between China's English-language and Chinese-language propaganda about Taiwan—a split that suggests Beijing may be taking initial steps to prepare its people for the possibility of war. Whereas Chinese statements aimed at international audiences downplay the possibility of an invasion, China's domestic propaganda has stated that Taiwan's "provocations" could justify military action in the near future. While there is no indication that China is planning an imminent invasion—and Beijing still hopes to pressure Taiwan to surrender without a fight—the United States and its allies and partners can no longer assume that a Taiwan contingency is a distant possibility for which they would have ample time to prepare.

Beyond its specific efforts to enhance capabilities for a Taiwan contingency, Beijing has continued to rapidly modernize its military forces across all domains with the goal of being able to fight and defeat "strong enemies" like the United States. China views space as a crucial warfighting domain, and the PLA is rapidly expanding space and counterspace capabilities that could be used to target U.S. forces in the Indo-Pacific and incapacitate U.S. space-based assets. Beijing's investment in counterspace systems—including direct-ascent anti-satellite weapons and co-orbital interference platforms—illustrates its strategy of blinding and disorienting U.S. forces in the opening phase of a conflict. China also continues to pour significant resources into over-the-horizon technologies such as artificial intelligence and quantum computing that have dual-use purposes and could accelerate China's military and intelligence capabilities.

In addition to modernizing its own capabilities, China's deepening cooperation with Russia, Iran, and North Korea has enabled these pariah economies to withstand multilateral economic restrictions, undermining U.S. statecraft and providing China with a live testbed for sanctions evasion and wartime logistics. These countries cooperate in efforts to supplant the existing world order with one more conducive to their authoritarian, destabilizing regimes. The mutual support between these countries enables each to act more aggressively, providing Beijing with a network of partners capable of supporting it in a military crisis. Even if they chose not to intervene directly, these countries could assist Beijing through military technology transfers, diversionary regional pressures, or economic and energy lifelines, complicating U.S. and allied crisis response planning and stretching deterrence across multiple theaters.

Seeking Hegemony in the Indo-Pacific

While China seeks to undermine existing international institutions, norms, and U.S. global leadership, it has also been working to ensure its own authoritarian hegemony in the Indo-Pacific region. After decades of systematically expanding its economic influence in Southeast Asia and the Pacific Islands, Beijing is now wielding its economic leverage to secure greater military access and security influence. For years, Beijing has pursued access to bases and dual-use facilities in the region. Now, these efforts are converging into an integrated network of logistics hubs, ports, and surveillance outposts designed to support power projection and sustain operations far from China's shores. Beijing has also used regional partnerships with internal security forces throughout Southeast Asia and the Pacific Islands to gain the allegiance of local leaders by helping them maintain power through authoritarian policing practices and high-tech surveillance. Beijing's "inside-out" approach to expanding its security influence aims first to gain a foothold within the internal security apparatuses—which it can then use as a source of leverage to shape their external security behavior. Most recently, China has exploited the growing crisis of scam centers operated by Chinese crime syndicates—many of which spread throughout Southeast Asia with, at a minimum, implicit backing from elements of the Chinese government—as a pretext to further expand the presence of its internal security forces in the region. This blurring of criminal, commercial, and security activities allows Beijing to embed influence under the guise of law enforcement cooperation, normalizing its extraterritorial reach.

Beijing's ambitions to convert its economic power into greater security influence do not stop in the Indo-Pacific. Rather, Beijing has explicitly referred to regions like Southeast Asia and the Pacific Islands as "pilot zones" for refining strategies it can use to expand its influence on a global scale. These pilot zones serve as laboratories for authoritarian governance exports, technology standards, and coercive finance practices Beijing is already applying in Africa, Latin America, and Central Asia. By perfecting its control model close to home, China is building the architecture for global authoritarian resilience.

Looking Ahead: The Global China Challenge

Countering China's aggression is now a truly global challenge. Beijing's increasing military power projection and technological capabilities—as well as its deepening coordination with Russia, Iran, and North Korea—demand that the United States work closely with allies and partners to address interconnected, cross-regional security threats in multiple geographic areas. Enforcing export controls and securing supply chains by preventing transshipment and reducing exposure to Chinese inputs are likewise global challenges that will require close coordination with allies and partners in every region of the world. Beijing's recent actions demonstrate that a China-dominated world order would be less stable, less secure, less prosperous, and less free. Such an order would be defined by weaponized interdependence, state surveillance, and coercive control over global norms. It will be incumbent upon the United States to counter Beijing's bid for hegemony with a positive vision for the future that promotes prosperity, security, and freedom at home and around the world. Meeting this challenge will require not only defensive measures but also a proactive strategy to rebuild U.S. industrial strength, shape international rules, and lead coalitions that can compete with China's scale and ambition. ■

THE COMMISSION'S 2025 **KEY RECOMMENDATIONS**

The Commission highlights 10 of its 28 recommendations to Congress below. The complete list of recommendations appears on page 46.

The Commission recommends:

I. 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 interagency 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.

II. See the Commission's classified recommendation annex for a recommendation and discussion relating to U.S.-China advanced technology competition.

III. 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.

- 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.

IV. 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 biotechnology 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.

V. 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.

VI. 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.

VII. 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.

VIII. 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.

IX. 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.

X. 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.

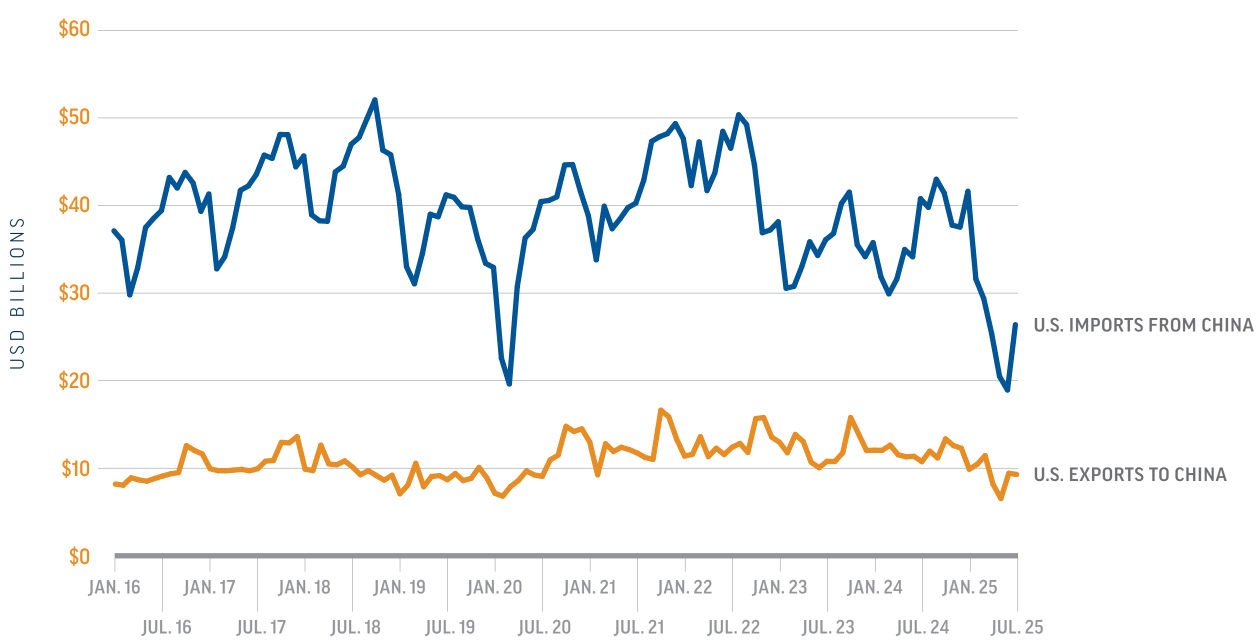
CHAPTER 1: U.S.-CHINA ECONOMIC AND TRADE RELATIONS

Year in Review

China's economic system is under serious strain. High debt levels and eroding fiscal capacity have constrained Chinese officials' means to address the domestic slowdown without more serious structural reform, which remains unlikely for political reasons. The result is increasingly a two-speed economy, whereby broader economic growth remains under substantial pressure while priority areas for the Party such as advanced manufacturing continue to see plentiful policy support and access to capital. Domestic consumption remains tepid amid mounting concerns over stagnant wages, unemployment, high household debt, and a weak social safety net. Amid the deflation of the property bubble, manufacturing remains the government's growth driver of choice, even as the measures China is taking to bolster this sector are having an increasingly adverse impact on its trading partners. Facing a glut of manufactured goods and weak domestic demand, Chinese factories are redirecting much of this excess supply abroad, part of a dynamic that is contributing to a "China Shock 2.0."

China faces additional challenges from new U.S. and other tariffs on Chinese exports, sparking it to engage in retaliatory measures while also exposing the interconnected nature of supply chains for critical technologies (see Figure 1). Rising economic tensions have collided with mounting concerns over China's

FIGURE 1
U.S.-CHINA MONTHLY BILATERAL TRADE, JANUARY 2016–JULY 2025



Source: U.S. Census Bureau, "USA Trade Online."

growing technological prowess. U.S. measures to limit China's progress, such as bans on advanced semiconductor exports, have been pulled into broader trade negotiations as bargaining chips. China has also employed its own sources of leverage, targeting individual U.S. companies with punitive measures and ramping up restrictions on critical minerals exports. As economic relations between the United States and China have worsened, Chinese producers are looking for more receptive markets in third countries. China's manufacturing sector is both globally dominant and increasingly a source of concern among its trading partners, even as Beijing shows little intention of changing course on its market-distorting industrial policies. Therein lies the dilemma: China's self-portrayal as a responsible member of the international economic system is directly at odds with its status as perhaps the world's most structurally unbalanced economy.

Key Findings

- Despite over a decade of pledges to rebalance from export- and investment-led growth toward greater domestic consumption—claims repeated throughout 2025—China's economy has deepened its reliance on export-oriented manufacturing in recent years. Especially as its property crisis deepens, China has doubled down on an economic model based on supply-side support to boost production, often resulting in far more products than domestic demand can absorb, with the intent of becoming the dominant global exporter of all types of manufactured goods and materials.

- China has made limited progress, at best, toward rebalancing its economy to promote domestic consumption as a greater driver of growth. Sluggish financial markets, falling property values, and weak wage growth are all significant headwinds, and the recent modest uptick in consumption indicators is primarily due to temporary measures used to pull forward growth.

- If exports falter and efforts to redirect the economy toward greater domestic consumption remain politically non-viable, China has limited other sources of growth to propel its economy forward without backtracking on its progress to deflate the real estate bubble and control rising levels of debt.

- As we approach the 25th anniversary of China's accession to the WTO, China remains a major beneficiary of the global rules-based trading system despite flouting the rules and maintaining an unbalanced, state-led economy fundamentally inconsistent with that system.

- While Chinese officials tout China's openness to foreign investment, the government routinely takes measures adverse to the interests of foreign businesses. Multiple U.S. firms' operations in China have come under threat as a point of leverage in trade negotiations.

- U.S.-China technology competition shapes significant aspects of the U.S.-China economic and security relationship, with global impacts magnified in sectors reliant on advanced semiconductors and artificial intelligence (AI). Chinese companies have made notable progress in these and other key technologies despite U.S. and allied export controls intended to limit China's access to the most advanced technologies.

- China has sought to soften the impact of U.S. tariffs by increasing exports to other countries, while Chinese companies are increasingly offshoring manufacturing capacity, both to avoid tariffs as well as to ensconce themselves deeper in key supply chains. To seek leverage against the United States, China has implemented retaliatory tariffs and export controls on critical minerals and rare earth magnets. China has also targeted retaliation at specific U.S. firms.

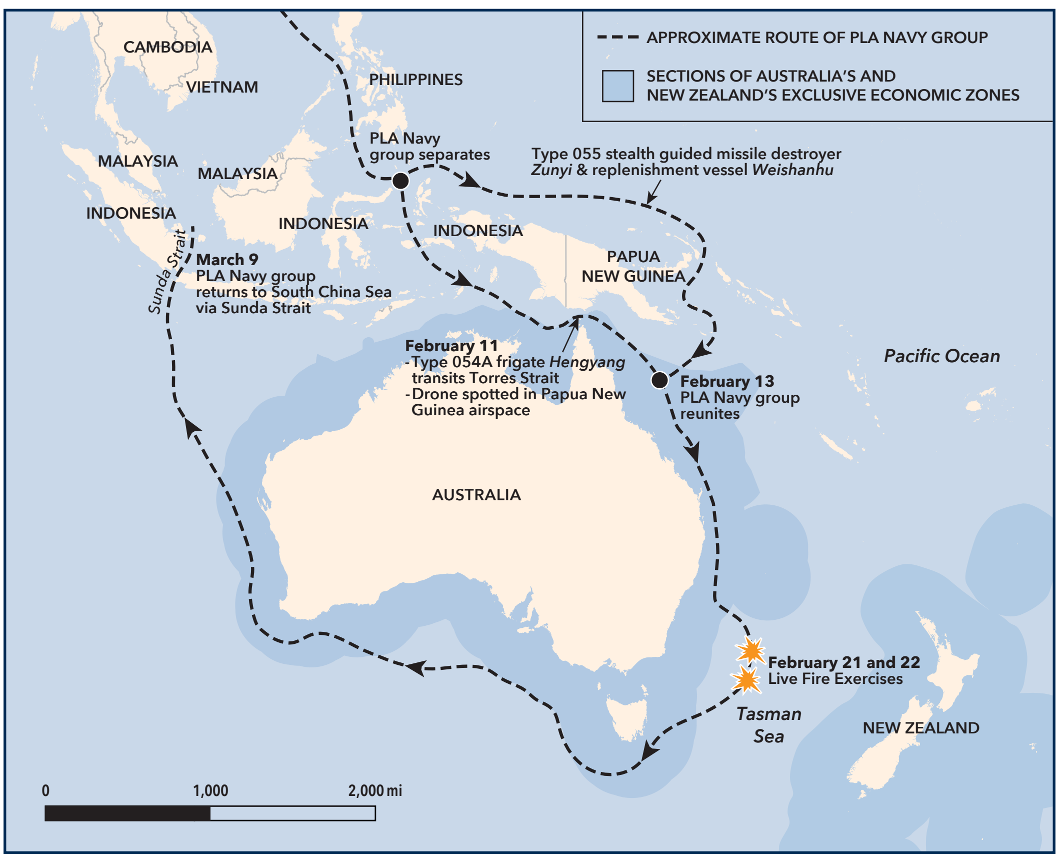
- China continues its efforts to position itself as the reliable partner of choice for trade and investment, particularly with emerging markets. At the same time, a variety of countries, including many of those same emerging market countries, have begun to implement their own tariffs and other barriers to safeguard their manufacturing industries from China's massive excess supply.

CHAPTER 2: U.S.-CHINA SECURITY AND FOREIGN AFFAIRS

Year in Review

Over the past year, China has sought to present itself as a responsible world leader despite engaging in a range of destabilizing activities that have undermined global peace and security. General Secretary of the Chinese Communist Party (CCP) Xi Jinping has persisted in challenging U.S. global leadership and asserting China's position on the world stage, including by hosting dozens of world leaders for a Shanghai Cooperation Organization (SCO) summit in Tianjin followed by a military parade in Beijing. China has also escalated its use of gray zone tactics—coercive military, economic, and influence operations short of war—against Taiwan, in the South China Sea, and around Japan's Senkaku Islands. Beyond its own

FIGURE 2
OPERATIONAL DETAILS OF THE PLA NAVY TASMAN SEA LIVE-FIRE EXERCISE



Note: EEZs are depicted using the standard 200 nautical mile baseline from countries' coastlines.
Source: See the full Annual Report for complete list of sources.

borders, Beijing has continued to stoke violence and instability by supplying dual-use goods to Russia and otherwise helping sustain its war against Ukraine, funding Iran and its terrorist proxies in the Middle East, and intensifying cyberattacks on the United States and countries around the world.

China's efforts to undercut U.S. credibility and advance its own interests overseas have also been supported by its approach to domestic governance. Over the past year, China has deepened its anticorruption campaign with the aim of quashing internal dissent, forged ahead with its military modernization efforts, and continued its longstanding efforts to control religious institutions it sees as fueling separatism and undermining Party rule. Considered in the aggregate, these actions reflect Beijing's continued rapid preparations for the possibility of conflict and its systematic efforts to erode U.S. deterrence across the military, economic, technological, cyber, and diplomatic domains.

Key Findings

- China has used the pretext of a "turbulent" external environment to justify its ongoing campaign to quash internal dissent and enforce absolute political loyalty to the CCP. Over the past year, China has sharply increased spending on domestic public security, punished officials for disciplinary infractions at record rates, and continued to purge senior military leaders perceived as insufficiently loyal.

- Despite purges of key military leaders, China's People's Liberation Army (PLA) significantly advanced its military modernization efforts over the past year—increasing its stockpile of nuclear warheads, introducing new amphibious assault ships and stealth fighter jets, expanding its drone deployment capacity, and enhancing its capability to launch an attack on Taiwan with little advance warning. China is increasingly willing to use PLA capabilities to send political messages, as demonstrated by unprecedented naval live-fire exercises conducted in the Tasman Sea off the coast of Australia and New Zealand (see Figure 2).

- Beijing has continued its efforts to construct an alternative world order with itself at the center—symbolized most powerfully in 2025 by images of the leaders of Russia, North Korea, Iran, and about 20 other mostly authoritarian countries gathered behind Xi Jinping at a military parade in Beijing commemorating China's victory in World War II.

- In meetings with leaders from Asia, Africa, and Latin America, China has sought to undermine U.S. credibility and bolster its credentials as a leader of the "Global South" by accusing the United States of disrupting international order while professing its own commitment to free trade, development assistance, and international law—despite often failing to follow through on such promises.

- While claiming to be a source of international stability, China has continued to threaten global security by undertaking gray zone activities in the Indo-Pacific and around the world. China routinely engages in provocative military maneuvers near Taiwan and in the South and East China Seas, has sabotaged critical undersea communications cables near Taiwan and in the Baltic Sea, and has escalated cyberattacks on the United States.

- China has also fanned the flames of conflict by supplying dual-use goods to sustain Russia's war in Ukraine, funding Iran and its terrorist proxies through purchases of sanctioned Iranian oil, and providing North Korea with diplomatic cover and material support that advances its cyber and weapons programs, thereby complicating global efforts to constrain these countries' destabilizing activities.

- Taken together, these actions form a coordinated strategy to prepare China for the possibility of potential conflict while steadily seeking to erode U.S. deterrence and the resilience of allied security networks.

CHAPTER 3: AXIS OF AUTOCRACY: CHINA'S REVISIONIST AMBITIONS WITH RUSSIA, IRAN, AND NORTH KOREA

China, Russia, Iran, and North Korea are forging closer strategic, military, and economic ties that increase their ability—individually and collectively—to challenge the interests of the United States and its allies and partners around the world. These states share common objectives in undermining U.S. global leadership and elements of the international system that promote democracy and human rights, while seeking to reshape them to endorse autocratic rule and the use of coercion and military force to advance national interests. Although the relationships among China, Russia, Iran, and North Korea may not constitute an alliance as traditionally conceived, the partnerships allow the countries to consider the use of force, undertake provocative actions, and otherwise act in ways they could not sustain on their own. This cooperation has intensified since Russia's invasion of Ukraine in 2022, as China, Iran, and North Korea have provided Russia with political, economic, and military support to sustain its war of aggression, allowing it to circumvent U.S. and international sanctions and diplomatic pressure. As the alignment is based more on shared interests and expediency than trust and loyalty, each country may decline to assist meaningfully when counterproductive to their larger objectives, as China and Russia did after the United States struck nuclear facilities in Iran in June.

> As the most powerful and systemically integrated of the axis countries, China has been the "decisive enabler" of this group and its destabilizing activities.

As the most powerful and systemically integrated of these countries, China has been the "decisive enabler" of this group and its destabilizing activities. By cooperating with—and legitimizing—these heavily sanctioned countries, Beijing has developed significant leverage over them, effectively casting them as junior partners in the relationship. While this dynamic has generated some underlying friction, the advantages gained from their collective power have outweighed the disadvantages. To respond to this increasing alignment among China, Russia, Iran, and North Korea, the United States must work in concert with allies and partners to deter destabilizing activities and prepare to respond to multiple potential regional flashpoints. Unfortunately, the necessity to confront this challenge has come at a time when growing divisions within many democratic societies have undermined their willingness and ability to act in a concerted fashion to resist these efforts.

Key Findings

- China, Russia, Iran, and North Korea are forging closer strategic, military, and economic ties that increase their ability—individually and collectively—to challenge the strategic interests of the United States and its allies. This cooperation is rooted in a shared desire to undermine U.S. global leadership and reshape elements of the rules-based international order, including concepts of sovereign equality, peaceful resolution of conflict, and respect for human rights. Instead, the countries seek an order that favors autocratic governance and their capacity to extend their regional spheres of influence.

- While China, Russia, Iran, and North Korea individually pose a significant threat to U.S. interests, their growing cooperation collectively magnifies the challenge. Each is emboldened to undertake actions it could not sustain on its own, and their cooperative efforts make it far more difficult to secure U.S. national security, economic prosperity, and peace and stability around the world.

- Cooperation among the "axis" countries has deepened since Russia's full-scale invasion of Ukraine in 2022, as Russia has drawn on China, Iran, and North Korea to support its war efforts and to help it overcome the subsequent international condemnation and sanctions. For example, China-Russia bilateral trade has increased 66.7 percent since 2021. Each axis country has also benefited in different ways from its support to Moscow.

- China has played the central diplomatic, economic, and financial role in this informal alignment. These relationships have become increasingly asymmetric, with China effectively casting the others as junior partners. While this dynamic has generated some underlying friction, such tensions have largely been mitigated by shared interests and mutual benefits.

- As the alignment is based more on shared interests and expediency than trust and binding obligation, each country has freedom of action and the ability to decline to participate in a conflict. This flexibility was evident in the failure of China and Russia to provide support to Iran after the United States struck its nuclear facilities in June.

- China's preference for flexible partnerships over formal alliances reflects its opportunistic approach to diplomacy, in which it seeks to take advantage of a relationship that serves its interests while avoiding entanglements that do not benefit it. Beijing seeks to have it both ways—cooperating closely with these partners that defy international norms and institutions while simultaneously trying to promote an image as a responsible stakeholder to the broader international community that values those norms and institutions.

- China's deepening cooperation with Russia, Iran, and North Korea raises significant concerns for Indo-Pacific security. Their coordination increases the risk of opportunistic aggression, a situation in which one regional conflict creates an opening for another actor to take advantage of the United States' diverted attention and resources to launch operations elsewhere. In a Taiwan contingency, such dynamics could force the United States to face tough choices on escalation and resource allocation. The collaboration among these powers substantially increases the risk of regional conflicts transforming into broader global crises.

- China is the major trade and investment partner for these countries, helping them mitigate the adverse effects of U.S. and multilateral sanctions. Chinese entities have been instrumental in facilitating circumvention of export controls. China's opaque financial system has been vital in money laundering and sanctions evasion by Russian, Iranian, and North Korean agents. Together, China's policies have provided a lifeline that has allowed these countries access to the resources, technologies, and dual-use equipment needed to stay in power and continue destabilizing activities.

- The sum of China's sanctions and export control evasion activities is greater than the individual components. China's role as a hub for a diverse array of countries' sanctions evasion activities effectively allows for pooling of resources and economies of scale for companies and service providers that facilitate sanctions evasion. The network effect of Chinese and non-Chinese actors creates shared learning opportunities about evasion tactics, presenting new challenges for sanctions strategy and enforcement. ■

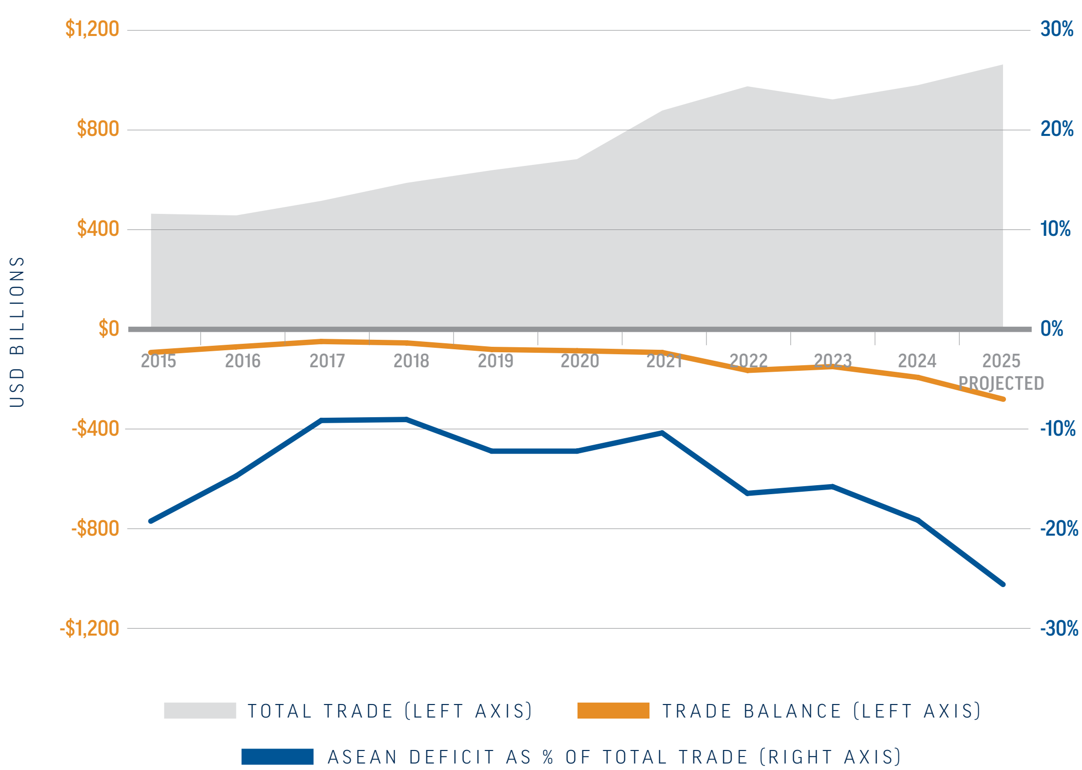
CHAPTER 4: CROSSROADS OF COMPETITION: CHINA AND SOUTHEAST ASIA

As a region, Southeast Asia constitutes the world's third-largest population center and fifth-largest economy and straddles strategic sea lanes connecting the Indian Ocean to the Western Pacific—making the region a crucial arena for U.S.-China competition. Beijing has long viewed Southeast Asia as its own "backyard" and has sought to establish economic and military dominance in the region as part of its overall strategy for weakening U.S. power in the Indo-Pacific.

China has made large and sustained investments in expanding high-level diplomacy, security relationships, soft power programs, and influence operations in Southeast Asia. China's goal is to entrench itself as the regional hegemon while undermining the United States' reputation with both policymakers and the publics in Southeast Asian countries. On the military front, China has pursued access to bases and dual-use facilities in Southeast Asia while deploying aggressive gray zone

FIGURE 3

ASEAN'S GROWING TRADE DEFICIT WITH CHINA, 2015–2025 (PROJECTED)



Note: The 2025 full-year projection is calculated as the product of 2024 total trade and year-over-year growth in year-to-date total trade through August 2025.
Source: China General Administration of Customs, *"China: Imports from ASEAN, China: Exports to ASEAN,"* via Haver Analytics.

tactics to advance its unfounded territorial claims in the South China Sea—risking embroiling the region in a devastating military conflict. At the same time, China has sought to expand its cooperation with Southeast Asian countries on non-traditional security issues such as transnational crime as a means to export authoritarian policing practices and expand its security influence in the region.

> China views establishing regional economic and military hegemony in Southeast Asia as core to its strategy to undermine U.S. power in the Indo-Pacific.

Beijing has also amassed significant economic leverage in the region. China is Southeast Asia's largest trading partner, and countries in the region have been among the top destinations for China's Belt and Road Initiative (BRI) projects. Chinese companies have invested heavily in the region's critical infrastructure, including telecommunications equipment, electrical grids, data centers, and undersea cables, exposing Southeast Asian countries and—potentially—U.S. firms and military assets in the region to data security and sabotage risks. China's efforts in Southeast Asia—alongside its campaign to erode U.S. partnerships and gain access to dual-use infrastructure in the Pacific Islands—threaten the United States' ability to protect its economic and security interests throughout the Indo-Pacific region.

Key Findings

- China views establishing regional economic and military hegemony in Southeast Asia as core to its strategy to undermine U.S. power in the Indo-Pacific. China's overarching goals in the region include full control of the South China Sea, expanding access to basing and dual-use infrastructure for its military, guaranteeing the People's Liberation Army (PLA) Navy's access to crucial sea lanes, providing land access to the Indian Ocean around the chokepoint of the Strait of Malacca, and keeping Southeast Asian markets open to Chinese exports and investment. At the same time, China is working to ensure that Southeast Asian countries do not provide access and logistical support to the United States in the event of conflict in the Indo-Pacific.

- Over the past two decades, China has increased its influence in Southeast Asia relative to the United States by devoting extensive resources to diplomacy and soft power initiatives alongside its growing trade and investment ties with the region. More recently, China has sought to exploit changes in U.S. trade policy and foreign aid to present itself as the more reliable partner for regional countries' development goals.

- China has taken increasingly coercive actions to assert its control over the South China Sea, an area of tremendous strategic significance to the country and one of the busiest maritime trade routes in the world. China's aggressive actions in the South China Sea, especially those targeting the Philippines—a country with which the United States has a mutual defense treaty—make the region a potential flashpoint for U.S.-China military conflict.

continued ›

Key Findings

> *continued*

- In addition to pursuing access to military facilities in Southeast Asia, Beijing has adopted an "inside-out" approach to expanding its security influence in the region that aims to gain a foothold inside the internal security apparatuses of regional countries—which it can then use as a source of leverage to constrain their external security behavior. China has deployed its internal security forces in several Southeast Asian countries—including Burma (Myanmar), Cambodia, and Thailand—in an attempt to gain the allegiance of regional leaders by helping them maintain "regime security" through authoritarian policing and surveillance methods.

- Chinese crime syndicates operate industrial-scale "scam centers" across Southeast Asia that generate tens of billions of dollars in annual revenue by employing forced laborers to conduct online scams under conditions observers have likened to modern slavery. Beijing has selectively cracked down on scam centers that target Chinese victims, leading Chinese criminal organizations to conclude that they can make greater profits with lower risk by targeting the United States instead. According to conservative estimates, Americans lost at least $5 billion to such scams in 2024. Scam centers have also provided a pretext for China to expand its security presence in the region by pressuring Southeast Asian countries—including U.S. allies such as Thailand—to allow Chinese security personnel to operate on their territory.

- China has expanded its economic ties with Southeast Asia through trade and is growing its foreign direct investment (FDI) in strategic sectors like manufacturing and technology. China is the leading trade partner with ASEAN as a whole and with almost every ASEAN country individually. These extensive trade and investment ties, combined with ASEAN's continued rapid growth and "the ASEAN way" favoring "neutrality" in geopolitics, indicate that Southeast Asia is likely to be the locus of significant economic competition between the United States and China.

- Southeast Asia's trade relationship with China has become increasingly unbalanced in recent years, with the region's trade deficit almost doubling between 2020 and 2024 amid a surge in exports from China (see Figure 3). This trend reflects efforts by Chinese exporters to find markets other than the United States, the shifting of intermediate supply chains to avoid tariffs, and an accelerated flow-over from China's massive and growing domestic excess capacity in many manufacturing industries. Southeast Asia may be ground zero for the second China Shock.

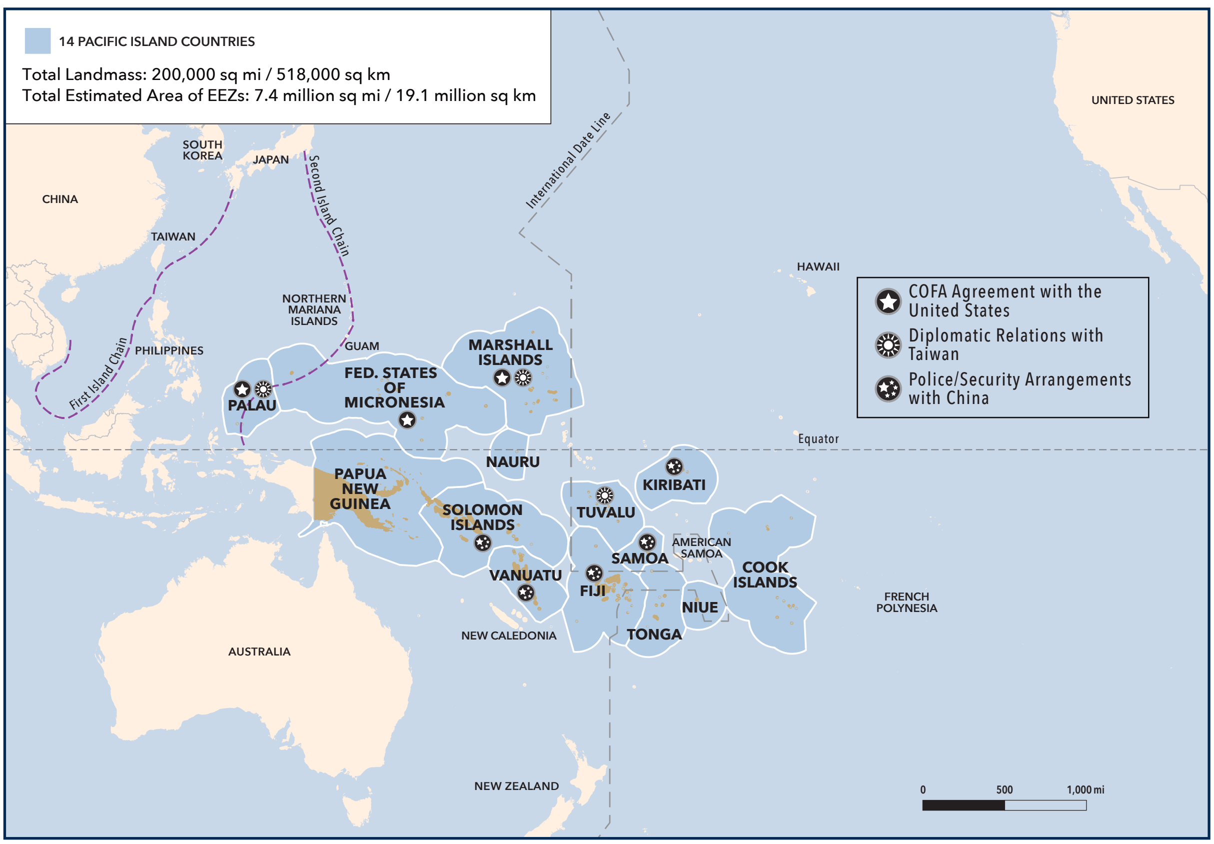
- China's dominance of regional supply chains and control over critical infrastructure provide it considerable leverage to further its strategic aims. Although Southeast Asian countries are cognizant of risks associated with those ties to China, geographic reality and China's position as the largest external trade partner for the region constrain their ability to respond to this threat.

- Chinese technology firms are competing with U.S. and European firms for dominance in Southeast Asia's digital infrastructure. The presence of Chinese providers and equipment in telecommunications networks, data centers, and undersea cables exposes host countries to data security and potential sabotage risks. These risks may also impact U.S. firms and military assets operating in the region. ■

CHAPTER 5:
SMALL ISLANDS, BIG STAKES: CHINA'S PLAYBOOK IN THE PACIFIC ISLANDS

As the United States' gateway to the Indo-Pacific region, the Pacific Islands occupy a crucial position in U.S.-China strategic competition (see Figure 4). While the United States has relationships with many Pacific Islands dating back more than a century, China's systematic efforts to build influence in the region over the past few decades have heightened the Pacific Islands' strategic significance to the United States and its allies and partners. For Beijing, the Pacific Islands region is crucial to its goals

FIGURE 4
MAP OF THE PACIFIC ISLAND COUNTRIES

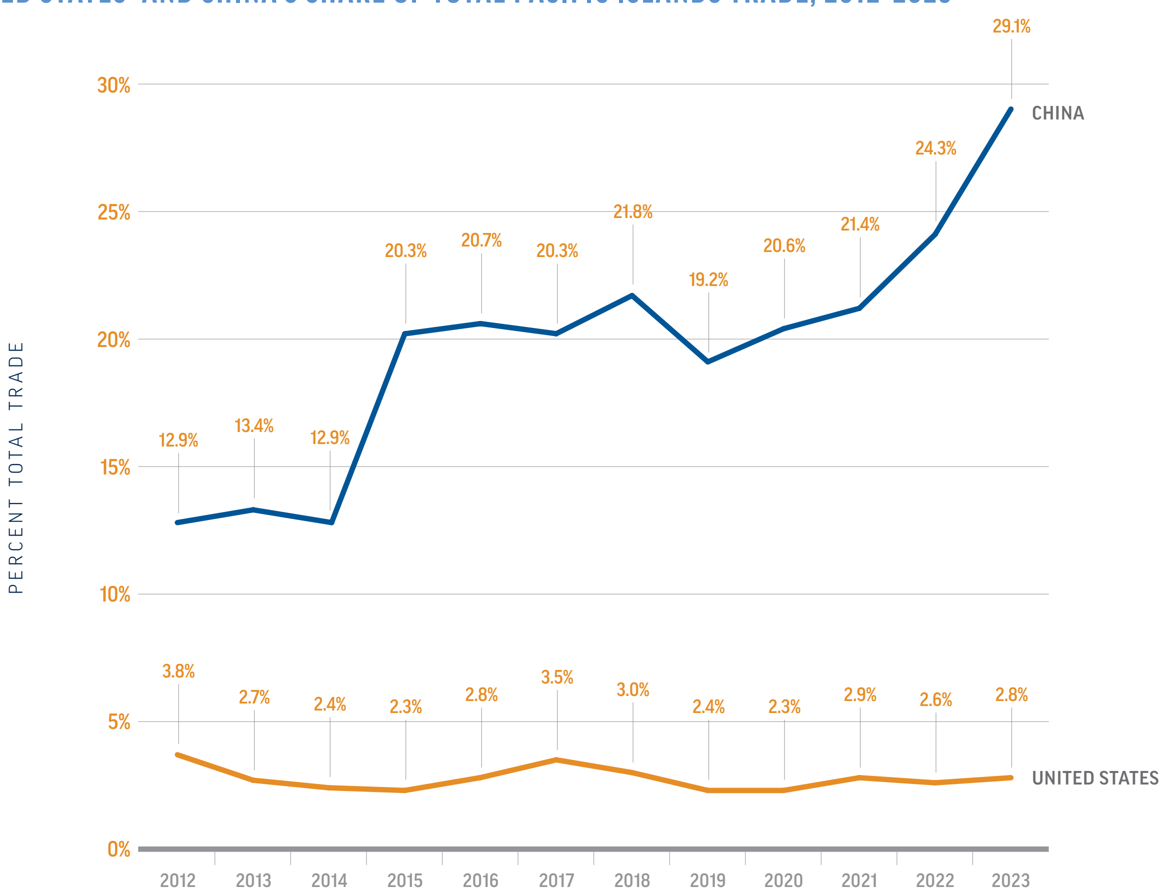


Note: The 14 Pacific Island countries refer to Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. There are three permanently inhabited U.S. territories in the region: American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. EEZs are depicted using the standard 200 nautical mile baseline from countries' coastlines.
Source: See the full Annual Report for complete list of sources.

of projecting military power and hindering the United States' ability to flow forces across the Pacific in the event of a conflict in the Taiwan Strait or the broader Indo-Pacific region. In pursuit of these goals, China has sought to enhance its status in the Pacific Islands through diplomacy and strategic investments while also attempting to undermine U.S. relationships through a systematic campaign of malign influence activities, including cyberattacks, economic coercion, and disinformation. China has become a key trade and investment partner for virtually every Pacific Island country, enabling it to wield economic leverage that helped convince several countries in the region to abandon diplomatic ties with Taiwan and support Beijing's policy preferences in international organizations. Over the past several years, China has also begun to use its economic and political influence in the region to push for new security partnerships and police cooperation agreements with Pacific Island countries, laying the groundwork for Beijing to gain access to dual-use facilities at strategic points throughout the region. If China succeeds at establishing itself as the dominant power in even a small number of the Pacific Islands, it could—alongside China's efforts to project military power in Southeast Asia—hinder the United States' ability to protect its interests in the Indo-Pacific and significantly alter the global balance of power in Beijing's favor.

FIGURE 5

UNITED STATES' AND CHINA'S SHARE OF TOTAL PACIFIC ISLANDS TRADE, 2012-2023



Note: This figure excludes trade between Pacific Islands countries in calculating the percentage of total trade.
Source: CEPII, "BACI: International Trade Database at the Product-Level," January 30, 2025.

If China succeeds at establishing itself as the dominant power in even a small number of the Pacific Islands, it could hinder the United States' ability to protect its interests in the Indo-Pacific and significantly alter the global balance of power in Beijing's favor.

Key Findings

- Beijing views the Pacific Islands region as essential to its goals of blunting U.S. military power in the Indo-Pacific, projecting its own power beyond the second island chain, and isolating Taiwan diplomatically and militarily. China has invested significant resources into a multifaceted strategy to expand its influence and undermine U.S. relationships across the region to achieve these objectives.

- Over the past two decades, China has systematically expanded high-level diplomacy, propaganda, people-to-people exchanges, media penetration, and malign influence activities in the Pacific Islands in an attempt to shape the region's information environment in ways favorable to Beijing and harmful to the United States and its allies and partners.

- China has spent decades building economic influence in the Pacific Islands. China is now a major trade partner for almost every Pacific Island country (see Figure 5), far outpacing the United States and even overtaking traditional partners like Australia. The dependence of Pacific Island economies on exports to China and Chinese tourism have exposed the region to China's economic leverage and coercion. China has also exploited its investments in the region to engage in elite capture, entrench preferred providers in critical infrastructure, and develop control over critical resources.

- Over the past several years, China has leveraged its political and economic influence to expand security and police cooperation with Pacific Island countries, enabling Beijing to promote authoritarian security norms and potentially lay the groundwork for access to dual-use facilities.

- The United States has deep ties to the Pacific Islands that long predate the more recent efforts by China to build influence and undermine U.S. partnerships in the region. In response to China's growing presence in the region, the United States and like-minded countries such as Australia and Japan have taken significant steps to further enhance ties with Pacific Island countries.

- Nevertheless, China is working to exploit reductions in U.S. diplomatic and development assistance in the region and advance the narrative that China is the more stable long-term partner. The relative weakening of U.S. influence in the Pacific Islands could have severe implications for U.S. power projection in the Indo-Pacific, potentially hindering the United States' ability to deter Chinese military aggression in the South China Sea, the Taiwan Strait, and globally. ■

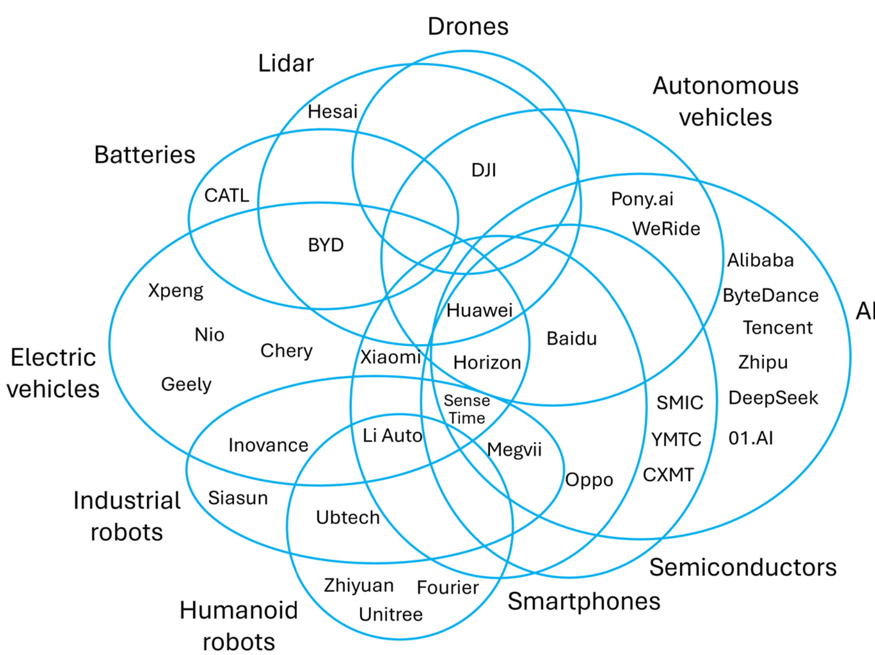
CHAPTER 6: INTERLOCKING INNOVATION FLYWHEELS: CHINA'S MANUFACTURING AND INNOVATION ENGINE

In the decade since launching Made in China 2025 (MIC2025), the Chinese Communist Party's (CCP) industrial, science, and innovation policies have multiplied and expanded in scope. China deploys an arsenal of tools to execute these policies and affect its capacity to develop and produce advanced technology. The evidence shows that comprehensive strategic planning, massive state funding, and adaptive implementation have allowed China to overcome previous industrial policy failures. As roads and bridges act as public goods benefiting the entire state, China's policies have constructed an "industrial commons"—a collective resource base Chinese firms can exploit to advance technological capabilities. This industrial commons positions China to develop and support firms that will dominate established markets and control emerging sectors.

Numerous industrial policy successes demonstrate the strength of China's industrial commons and how advances in overlapping industries catalyzed innovation in other technologies or products. China's electric vehicle (EV) industry was built on a range of

FIGURE 6

INTERLOCKING INNOVATION FLYWHEELS



Source: Kyle Chan, "China's Overlapping Tech-Industrial Ecosystems," *High Capacity*, January 22, 2025.

preexisting capabilities, including lithium batteries for consumer electronics and a large automobile manufacturing sector. In turn, EVs served as a platform that helped drive innovation in directly related sectors, like battery technology, and in related capabilities, like LiDAR used in autonomous systems. Similarly, China's capabilities in industrial robotics are supporting the emergence of AI-enabled factory production models, promising scalable gains across the manufacturing sector. In synthetic biology, China's sophisticated laboratory infrastructure and growing biotech manufacturing base are positioning it to become a leader in commercializing global scientific discoveries from pharmaceutical to non-pharmaceutical applications, with state-backed facilities enabling rapid translation from research to production at scale.

Key Findings

- Chinese industrial policy has established the landscape for becoming an advanced manufacturing and innovation powerhouse. By conducting industrial policy on an unprecedented scale, China now leads global innovation in many targeted sectors and has built a manufacturing base that is integrated into many legacy and advanced technology supply chains.

- China's industrial policy systematically constructs clusters of interconnected manufacturing capabilities while securing control over foundational technologies. Innovation follows manufacturing, and China is leveraging this approach to generate "interlocking innovation flywheels"—technical advances in one sector rapidly catalyze breakthroughs in adjacent sectors, creating compounding technological advantages that accelerate with each cycle (see Figure 6).

- Through MIC2025 and related policies, China has secured dominance in much of the legacy and advanced componentry for today's most prevalent consumer and enterprise technology products. Given that key innovations often happen on the factory floor, China's current dominance gives it a significant leg up in terms of future cycles of iteration and innovation as well as a source of essential components for new technologies.

- China's industrial policy and Party-state control have also positioned it to attain first-mover advantage in technologies of the future, like synthetic biology, quantum technologies, and automation (including humanoid robots). Where the key sectors in MIC2025 mostly reflect mature markets in which China seeks to displace incumbents, becoming the first mover in emerging and nascent technologies would position China to set the future rules of the road.

- Rapid growth in targeted industries has not offset weakness in the broader economy, producing a two-speed economy in which prioritized high-tech sectors contrast with lagging sectors beset by structural economic challenges. All indications suggest General Secretary of the CCP Xi Jinping will prioritize China's technology ambitions over other policy goals. He believes developing and moving into new technologies can strengthen China's competitiveness vis-à-vis the United States and other prospective competitors. China's expenditure on industrial policy has had a cumulative impact that will continue to drive advances in research and development (R&D) and manufacturing capabilities, meaning that momentum in the high-speed economy will likely continue to grow.

- Overinvestment and overcapacity resulting from China's industrial policies have consistently led to large economic distortions across the value chain for targeted sectors. These distortions often threaten U.S. producers and developing economies attempting to move up the value chain. They also create an environment of intense competition within China as firms compete for market share in artificially expanded markets, forcing firms to increase efficiency, reduce production costs, and repeatedly cut sales prices to stay ahead of rivals. The firms that survive this process, like EV maker BYD, are then typically highly competitive in global markets.

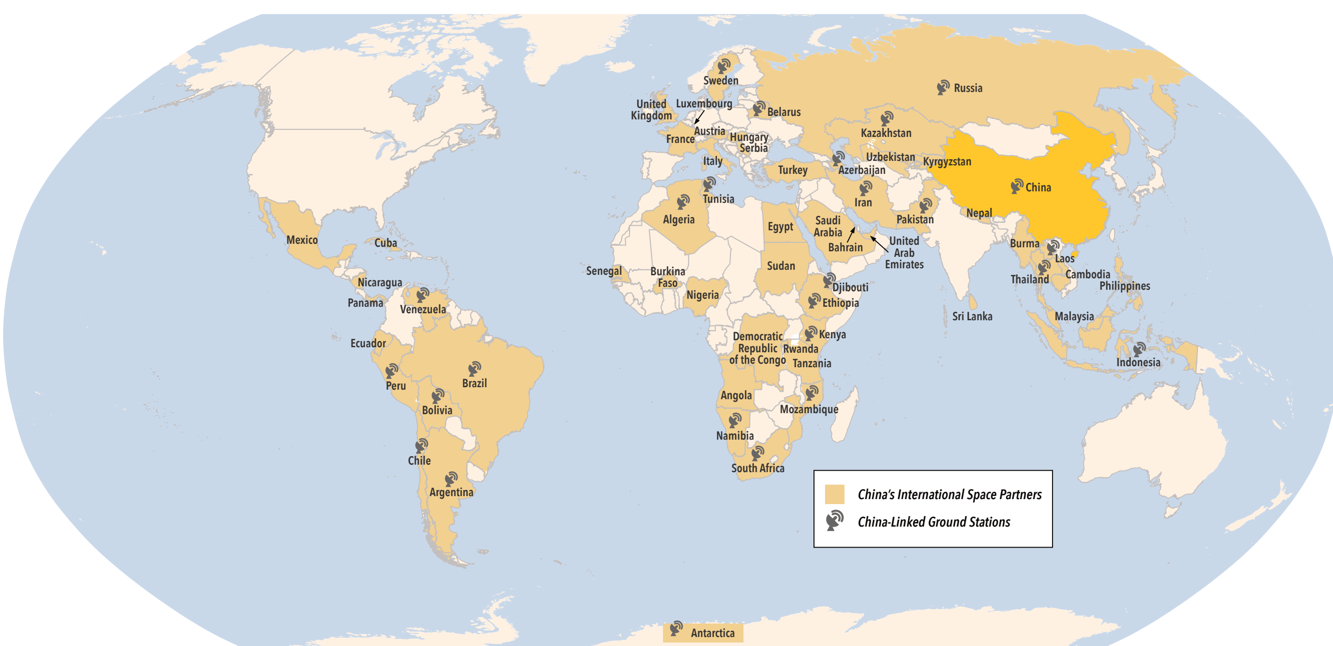
- In the early stages of these product cycles, and often beyond, China's approach is divorced from market principles, and its success largely stems from using subsidies, state coordination, and other nonmarket practices to undercut competitors in foreign markets.

CHAPTER 7: THE FINAL FRONTIER: CHINA'S AMBITIONS TO DOMINATE SPACE

China has embarked on a whole-of-government strategy to become the world's preeminent space power. Beijing views space as a warfighting domain and it seeks to achieve space superiority as a cornerstone of its broader effort to establish information dominance—a prerequisite to controlling the battlespace and gaining operational advantage in future conflicts. To this end, China has rapidly developed, deployed, and operationalized advanced capabilities in space launch, satellites, and ground-based infrastructure spanning its civil, military, and commercial sectors. These advancements are closing the gap in the strategic competition between the United States and China in space.

The People's Liberation Army (PLA) is rapidly expanding its space- and ground-based assets to enhance its battlespace awareness, operational coordination, and capacity for force projection. These capabilities improve China's ability to monitor, target, and challenge U.S. and allied forces across the Indo-Pacific. Over the past decade, China has launched more than 1,000 satellites, dramatically increasing its capacity for persistent surveillance, communications, and precision targeting in support of long-range strike systems. The PLA has also fielded both ground- and

FIGURE 7
MAP OF SPACE COOPERATION WITH CHINA



Source: See the full Annual Report for complete list of sources.

space-based counterspace capabilities designed to deter U.S. military action or, in the event of a conflict, degrade U.S. space-enabled operations and power projection. However, as Beijing has expanded its military space capabilities, it has also deepened its own dependency on space assets, potentially creating vulnerabilities of its own. Like any spacefaring nation, this dependency exposes China to counterspace threats that could disrupt its command and control (C2), precision strike, and situational awareness capabilities in a conflict.

Globally, China has harnessed its ambitious space program to deepen relations with developing countries and expand its space architecture in support of military, commercial, and broader strategic gains (see Figure 7). China's rapid progress in establishing a private, though state-directed, commercial space ecosystem in just a decade poses a formidable technological, economic, and geostrategic challenge to the United States. Employing state-led industrial policy and drawing on its vast network of state-owned enterprises in aerospace and defense, China has quickly cultivated a dynamic startup sector focused on seeking to rival U.S. firms in commercial launch and satellite networks. With a growing list of civil space achievements, China is aggressively positioning itself as a global leader in space technology and exploration. It is now seeking to reshape international space governance, influence the development of technical standards, and displace the United States as the world's premier space power.

FIGURE 8

BREAKDOWN OF AREAS OF SPACE COOPERATION WITH CHINA

Country	Ground Station	Satellite/ Launch	Partner-ship
Algeria	x	x	x
Angola			x
Antarctica	x		
Argentina	x	x	x
Austria			x
Azerbaijan	x		x
Bahrain		x	x
Belarus	○	x	x
Bolivia	x	x	x
Brazil	x	x	x
Burkina Faso		○	x
Burma (Myanmar)			x
Cambodia		□	x
Chile	□		□
Cuba			x
DRC		○	
Djibouti	○		
Ecuador		x	
Egypt		x	x
Ethiopia	x	x	x

Country	Ground Station	Satellite/ Launch	Partner-ship
France			x
Hungary			✦
Indonesia	x	x	x
Iran	○	x	x
Italy		x	x
Kazakhstan	x	x	x
Kenya	x		x
Kyrgyzstan			x
Laos	x	x	x
Luxembourg			✦
Malaysia		x	x
Mexico		x	x
Mozambique	x	x	
Namibia	x		x
Nepal		x	
Nicaragua			x
Nigeria		x	x
Pakistan	x	x	x
Panama			x
Peru	x		x

Country	Ground Station	Satellite/ Launch	Partner-ship
Philippines			x
Russia	x	x	x
Rwanda			x
Saudi Arabia		x	x
Senegal			x
Serbia		○	x
South Africa	x		x
Sri Lanka		x	
Sudan		x	x
Sweden	□	□	□
Tanzania			x
Thailand	x	x	x
Tunisia	x	x	x
Turkey		x	
UAE			x
United Kingdom			x
Uzbekistan			x
Venezuela	x	x	x

Ground Station: Countries allowing China to use and/or build local ground infrastructure, often to support telemetry, tracking, and command of space assets.

Satellite/Launch: Countries that have agreements to use Chinese satellites and/or to have China build or launch a satellite for them.

Partnership: Countries that have signed some type of agreement to work with China on space issues.

Caveats:

□ Countries have cooperated with China on this in the past. However, the media reported that the cooperation has been or will be discontinued.

○ The media reported that China has reached an agreement to undertake certain activities, but there are no indications the activity has occurred.

✦ The cooperation is between a non-government entity and China.

Source: See the full Annual Report for complete list of sources.

Key Findings

- China is pursuing an aggressive long-term, whole-of-government campaign to expand its space capabilities across military, commercial, and civil domains with the explicit intent of surpassing the United States. These rapid advances in space pose an escalating threat to U.S. national security, intensify U.S.-China strategic competition for international partnerships, and undermine the ability of U.S. commercial firms to compete internationally.

- China views space as a warfighting domain and has invested heavily in weapons and technologies that can degrade, damage, or destroy the U.S. satellites that provide the backbone of the U.S. military's C2 network as well as its targeting system. By seeking to deprive the U.S. military of the use of space-based assets, the PLA aims to deny the United States the ability to employ its advanced military systems, eroding the foundations of U.S. power projection and joint operations.

- Over the past ten years, China has launched a wide variety of satellites on an aggressive schedule, fielding a growing array of space-based capabilities that has strengthened its ability to coordinate its own operations as well as to conduct the persistent surveillance and targeting of U.S. forces. This effort is part of China's broader strategy to achieve space superiority and strengthen its ability to use long-range precision weaponry to target and disrupt the flow of U.S. forces in the Indo-Pacific.

- China is actively leveraging its space capabilities as strategic tools to expand its geopolitical influence. Through offering other countries the use of its satellite networks, launch services, and space infrastructure, China enhances the resilience and global coverage of its space architecture. At the same time, it draws partner nations more deeply into its technological ecosystem, creating long term strategic and economic dependencies on Chinese technology (see Figure 8).

- China's military-civil fusion strategy erases the line between military and civilian space activities, enabling systems and technologies such as satellites, robotic arms, and launch systems to serve both commercial ends and PLA objectives. The dual-use nature of these systems—compounded by blurry lines between state-owned enterprises and nominally private firms—makes it difficult to distinguish commercial innovation from military capability.

- In just ten years, China has dramatically transformed an almost non-existent commercial space sector into a thriving, state-orchestrated startup ecosystem. Fueled by strong government backing and industrial prowess, Beijing is now seeking to cultivate national champions that will challenge U.S. space companies on the global stage at a fraction of the cost. This strategy does not just seek innovation and commercial advancement—it seeks to reshape the competitive balance in what will be the most strategic domain of the 21st century.

- China has achieved major civil space milestones, such as the Chang'e-6 mission returning the first samples from the Moon's far side. These "global firsts" are much more than just about science; Beijing uses them to assert technological leadership to reshape global perceptions of power. The competition now extends beyond symbolic milestones to a contest over who will define the rules, infrastructure, and norms governing space. If the United States cedes leadership, China is poised to advance a state-driven, opaque governance model that could embed long-term global reliance on its systems and standards.

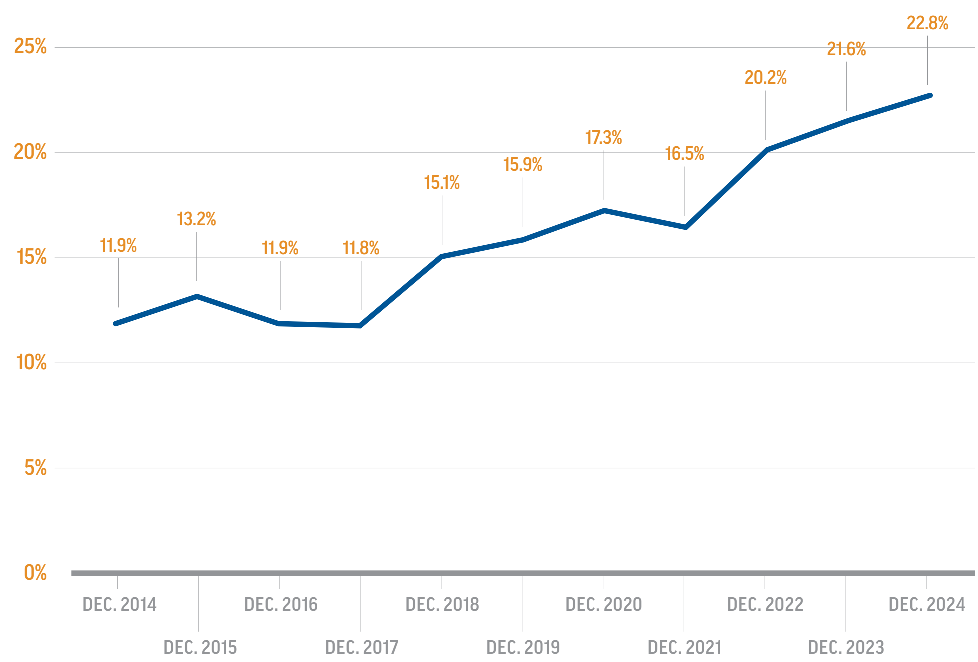
- Losing U.S. leadership in space would amount to relinquishing the advantage first secured during the original space race. China seeks to use its rapid advancements in space to position the country as a technological powerhouse and undermine U.S. prestige and economic competitiveness. Falling behind in space would not only diminish U.S. standing, it would also threaten U.S. national security, global influence, technological dominance, and commercial competitiveness in the growing space economy.

CHAPTER 8: CHINA SHOCK 2.0

China's economic model continues to generate a major imbalance between weak domestic demand and excess supply of manufactured goods. China uses its excess capacity to manufacture goods like steel and automobiles at a scale it cannot consume on its own, leading to extreme price wars between producers. Rather than attempt to rebalance its economy, China is exporting its economic distortions in the form of low-priced goods, thereby threatening the world with a second "Shock" (see Figure 9). This China Shock 2.0 is already upending manufacturing sectors in both developing and developed countries, up and down the value chain, as China's flood of exports is no longer limited to low-value-added goods like furniture and clothing. While these industries are more at risk than before, China has also begun to produce higher-value-added goods at scale, the result of years of technology theft, government subsidies, and aggressive industrial policies.

The glut of Chinese exports is deepening global market dependence on China and exacerbating supply

FIGURE 9
SHARE OF CHINESE INDUSTRIAL ENTITIES OPERATING AT A LOSS, DECEMBER 2014–DECEMBER 2024



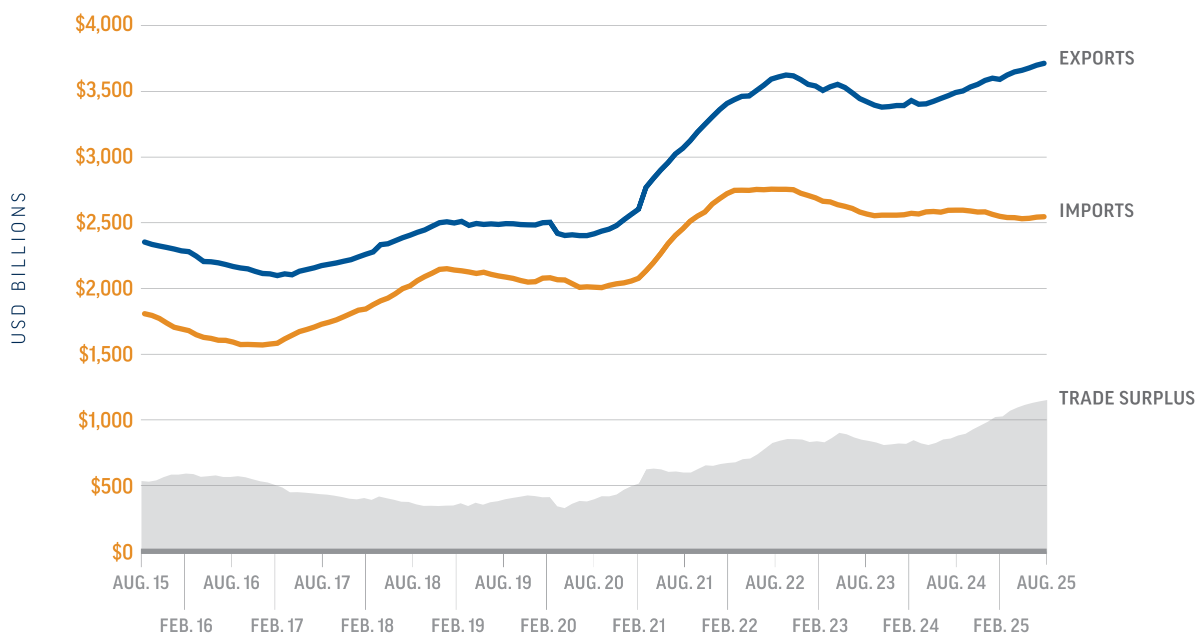
Source: China's National Bureau of Statistics, *"China: Number of Enterprises, China: Number of Loss-Making Enterprises,"* via Haver Analytics.

chain vulnerabilities. Regions like Southeast Asia that once benefited from global trade integration are now at risk of deindustrialization as their exports are undercut by Chinese goods. Germany, South Korea, and Japan are also at risk as their basket of exports increasingly resembles China's. Beyond merely carving out a larger share of global profits for Chinese corporations, China's market dominance is translating into control over chokepoints in key global supply chains for goods like pharmaceuticals and electronics. China's investment in manufacturing facilities abroad undercuts efforts by the United States and its allies and partners to diversify production to other emerging markets.

Responses to this new Shock have been fragmented, relying on outdated tools that no longer match the reality of today's global trading system. Additionally, incentives to push back on these export practices are not always aligned with the desire to continue selling commodities to China or benefiting from Chinese outbound foreign direct investment (FDI). At risk are not just today's factories and jobs in manufacturing: as China floods global markets with its goods, it will gain a more dominant share of key markets, gutting foreign competitors and propelling them into a downward spiral of deindustrialization (the focus of this chapter). This in turn will lead to greater control over critical supply chain chokepoints (the focus of the next chapter). Beijing has already shown its willingness to weaponize its control of the critical minerals sector; a new China Shock will further strengthen China's leverage over supply chains and ability to employ economic coercion to advance its interests.

FIGURE 10

CHINA'S TRADE WITH THE WORLD (ROLLING 12-MONTH TOTAL, SEASONALLY ADJUSTED), AUGUST 2015–AUGUST 2025



Source: China's General Administration of Customs, via Haver Analytics.

As China floods global markets with its goods, it will gain a more dominant share of key markets, gutting foreign competitors and propelling them into a downward spiral of deindustrialization.

Key Findings

- The world is facing the threat of a China Shock 2.0, whereby overproduction in key industries across China's highly subsidized manufacturing sector floods outward, causing major harm to industries in other countries. China Shock 2.0 is a manifestation of General Secretary of the Chinese Communist Party (CCP) Xi Jinping's economic plan—massive state subsidies and other distortions to boost production, reliance on foreign markets to absorb the excess supply, and minimal attention to addressing continued, structurally weak domestic demand.

- China's export of excess production is undercutting global competitors and winning market share across the value chain, from commodities to intermediate inputs to finished goods (see Figure 10). China's economic model increasingly limits other emerging market countries to the lowest-value-added stages of manufacturing.

- Emerging markets have traditionally been welcoming to Chinese FDI in manufacturing, viewing it as an opportunity to facilitate labor upskilling and the development of local industry. However, Chinese FDI poses potential problems for host countries as well. Chinese officials are increasingly reluctant to allow domestic firms to transfer technology abroad, lessening benefits to host countries. In addition, Chinese FDI may deepen reliance on Chinese inputs and open the host country to concerns that it serves as a base for Chinese transshipment or tariff evasion.

- In emerging markets, China's surging exports have already led to job losses and factory closures. Emerging market countries have begun to wake up to the threat, employing various tools to push back against China's unfair trade practices and preserve local industry and jobs, with varying degrees of success. International trade agreements have proven less durable protection; in many cases they merely constrain the policy responses of China's trading partners, facilitating the harms from China Shock 2.0, even though China's economic model is inconsistent with the foundational assumptions of those trade agreements.

- China's surging exports of higher-end goods are taking market share from producers in other countries, particularly those in developed countries, including the United States. While emerging markets are imperiled by other aspects of China Shock 2.0, they have little incentive to implement barriers to Chinese exports in those industries that do not compete with local manufacturing. Over time, the long-term harm to U.S. and other non-Chinese producers may be significant. Revenue from foreign markets has helped sustain U.S. economic strength and technological leadership by providing opportunities to scale. Losing this revenue will make it harder to invest in next generation technology.

CHAPTER 9: CHAINED TO CHINA: BEIJING'S WEAPONIZATION OF SUPPLY CHAINS

China has long made clear its willingness to use its economic heft to advance the Chinese Communist Party's (CCP) strategic interests. In the past five years, however, it has intensified this strategy by prioritizing control over key supply chains. China has already deployed export controls on critical minerals as a coercive tool, including to seek policy concessions in trade negotiations with the United States and to punish other countries. However, critical minerals are just one among several key sectors in which the United States is highly dependent on Chinese sources or could become dependent in the near future.

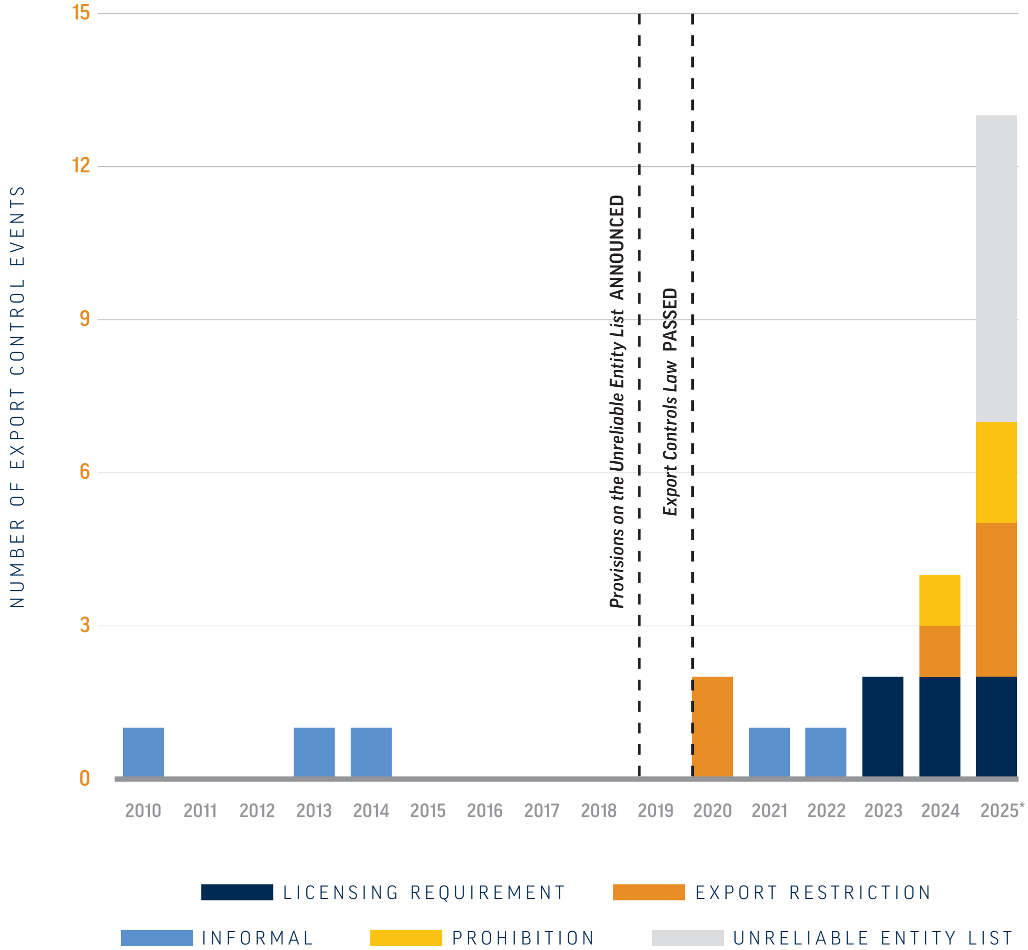
Other key sectors include active pharmaceutical ingredients (APIs), printed circuit boards (PCBs), and foundational semiconductors—all of which are vital to national security and commercial stability and for which even short-term, partial disruption could cripple critical industries and military readiness. With potentially as much as one-quarter of all APIs sourced from China directly—or indirectly through India—U.S. pharmaceutical supply chains face a vulnerability that could have drastic consequences for the American healthcare system. PCBs are critical to all electronics—from the simplest to the most advanced. Though Beijing faces practical barriers to restricting Chinese PCB content to U.S. end users, China has substantial and growing leverage in this important sector, both via direct sales to the United States and much more significantly via made-in-China PCBs embedded in global electronics products. Foundational semiconductors are a likely future vulnerability. China's breakneck expansion in production capacity threatens to flood the market and put competitors out of business if left unaddressed. In that case, the United States may soon depend on access to China's chip industry for producing a wide variety of electronic devices.

> Without bold action to strengthen domestic production, de-risk from potential adversaries, and coordinate more closely with allies and partners, the United States will become ever more dependent on Chinese supply chains.

As covered in the preceding chapter, an ongoing flood of low-cost Chinese goods is spilling into global markets amid a second China "Shock," threatening to put global competitors out of business in sector after sector and positioning China for dominance over ever more supply chains. Without bold action to strengthen domestic production, de-risk from potential adversaries, and coordinate more closely with allies and partners, the United States will become ever more dependent on Chinese supply chains while Beijing in turn strengthens its ability to exert leverage via those supply chains by imposing either targeted controls or larger-scale embargoes on critical exports to the United States.

In the past few years, China's economic coercion toolkit has evolved rapidly in sophistication and impact.

FIGURE 11
CHINA'S INCREASING USE OF EXPORT CONTROLS (2010–2025)



Note: *2025 is as of October 10. The number of export control events refers to individual restrictions. Export restriction refers to limits of exports over time (for example, Chinese manufacturers limited sales of drone components to the United States and Europe in December 2024). By contrast, export prohibition refers to a complete ban (for example, of certain materials like gallium, germanium, antimony, and superhard materials to the United States in the same month).

Source: See the full Annual Report for complete list of sources.

Key Findings

- China has held a dominant position in many global supply chains for years, once concentrated in lower-value products and materials but now extending to advanced technologies. In the past few years, the country's economic coercion toolkit has evolved rapidly in sophistication and impact. China now appears poised to accelerate its weaponization of supply chain chokepoints, potentially imposing significant short-term costs on the United States and other trade partners, eroding industrial resilience, and constraining U.S. policy choices (see Figure 11).

- China's economic model systematically leads to a concentration of global productive capacity in industries targeted for state support, and establishing such chokepoints has been an explicit CCP policy goal for years. China's supply chain leverage in key sectors will continue to grow over time if unchecked. To date, the United States and other countries have taken only limited measures to mitigate this threat. In the short-term, China has already shown an ability and willingness to weaponize its dominant position in critical minerals supply chains, including export restrictions on gallium, germanium, and rare earth magnets in 2023–2025.

- China dominates the supply of APIs and other key starting materials (KSMs)—all of which are essential for U.S. drug supply chains. If Beijing actively restricts U.S. access to these materials, the consequences could be catastrophic for U.S. health security, the broader economy, and potentially military readiness.

- China controls roughly half of global production of PCBs, the essential building blocks of virtually all electronic devices on which integrated circuits and other components are mounted. The United States has lost much of its domestic capacity to produce PCBs and has become heavily reliant on Chinese imports. Losing access to this supply of Chinese PCBs would likely shut down U.S. electronics manufacturing across multiple sectors, including those related to defense, aviation, and critical infrastructure.

- China's coming production surge in foundational semiconductors will pose a serious economic and security threat to the United States and other major semiconductor-producing economies. Foundational semiconductors are workhorse components that, while less advanced than leading-edge chips, are critical to the functionality of most electronic devices. Overcapacity in this sector could drive other producers out of business and make the world heavily reliant on Chinese producers for components that form the backbone of both the modern economy and a modern military.

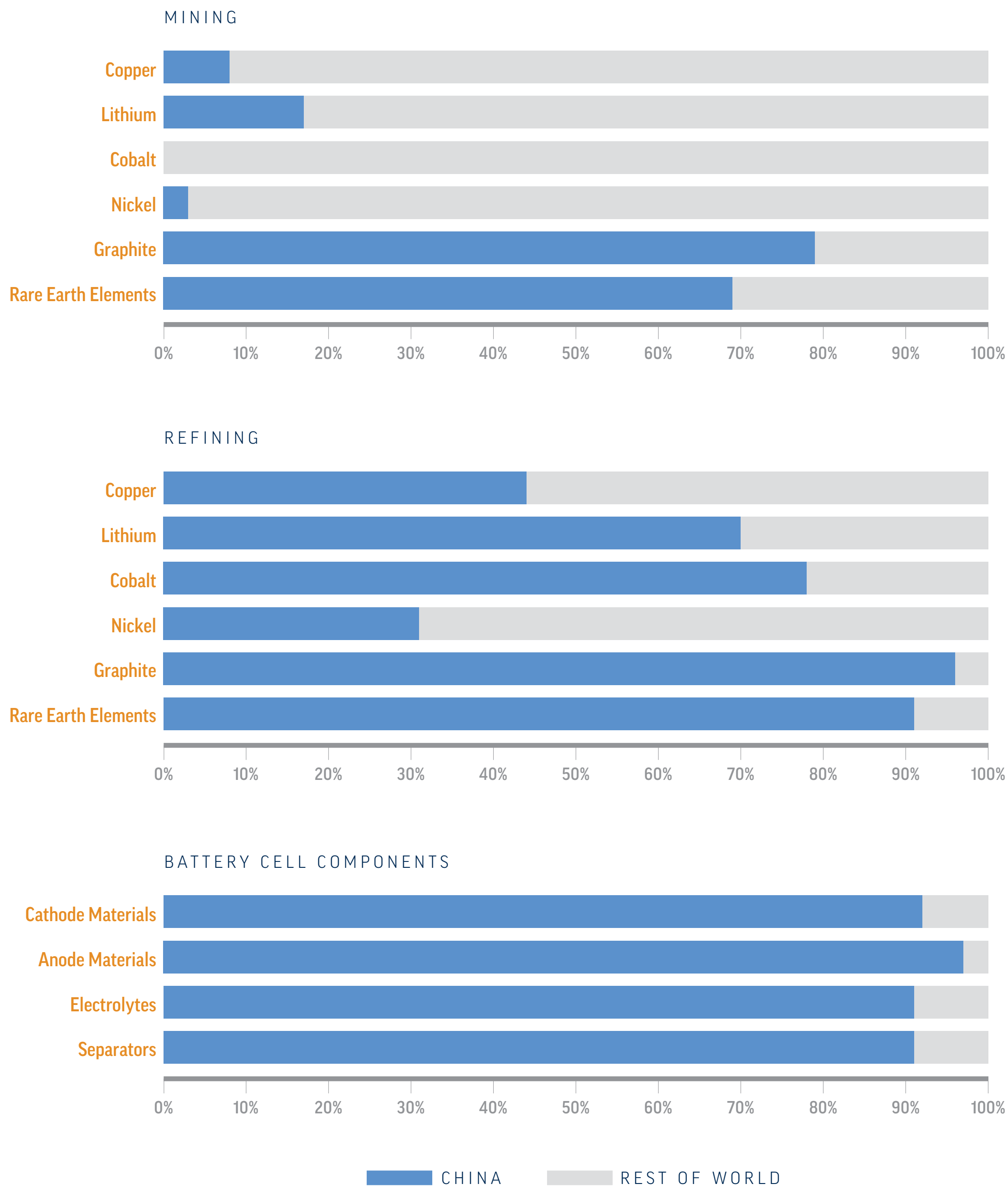
- Because supply chain vulnerabilities can take years to unwind, it is critical for the United States to immediately develop a more effective risk-mapping tool that identifies where Chinese leverage currently exists as well as the sectors where Beijing's leverage will likely grow in the future. In order to eliminate such critical dependencies and avoid them in the future, the United States must formulate and commit to a long-term strategy of supply chain de risking—requiring close cooperation with allies and partners—to achieve the conditions necessary for greater safety and resiliency.

CHAPTER 10: POWER SURGE: CHINA'S ELECTRIFICATION DRIVE AND PUSH FOR GLOBAL ENERGY DOMINANCE

China's "electrification" strategy is increasing its influence in the global energy sector, which carries a number of risks for the United States. China's economy is rapidly electrifying, adding more hydro, nuclear, solar, and wind power generation in 2024 than Germany's annual total power consumption. Through massive state support and other forms of market distortions, China has become a dominant manufacturer of certain types of equipment at each stage of power generation and consumption. Building on decades of energy infrastructure construction abroad, China's role in global energy systems continues to expand through exports of low-carbon energy technologies and electricity grid components and investment in electric vehicle (EV) and battery factories abroad. The appeal of China's energy technology exports and investments is particularly strong in developing countries, where—aside from offering cheap solutions—China's technologies may mitigate developmental challenges like rural electrification in areas with weak grid infrastructure. The massive scale of China's production and investment across all stages of the electric power system has shifted the trajectory of global markets in a direction that benefits Chinese manufacturers.

The risks for the United States arising from China's expanding exports and investments include supply chain vulnerabilities—given high U.S. reliance on certain materials and products sourced from China—and cybersecurity threats to U.S. critical infrastructure. China supplies over half of the United States' imports of battery energy storage systems and low-voltage transformers, and it is a leading refiner of almost all the critical minerals necessary for the energy sector (see Figure 12). Beijing began the process of weaponizing U.S. dependence on Chinese critical mineral refiners in July 2023 and could potentially use its manufacturing capacity in other critical products and materials as economic leverage. The extensive use of Chinese components in the U.S. power grid creates risks for cyber espionage and sabotage—which are significant in light of China's stated strategy and known activities like PRC-sponsored Volt Typhoon's efforts to pre-position assets in U.S. critical infrastructure. Additionally, China's role in international energy systems expands its geostrategic influence, potentially giving it leverage over U.S. allies and partners or third countries that also depend on China for energy imports or even allow Chinese investment in their energy systems.

FIGURE 12
CHINA'S SHARE OF OUTPUT ACROSS THE GLOBAL EV AND LITHIUM-ION BATTERY SUPPLY CHAINS, 2024



Note: Statistics for 2024 mining and battery components are estimated and projected. The International Energy Agency is not responsible for the derived work.
Source: U.S. Geological Survey, International Energy Agency, and Yano Research Institute.

Key Findings

- China's government-supported dominance in key "new energy" sectors and growing footprint in global energy systems more generally raise numerous national security concerns for the United States and other countries. These risks include dependency on Chinese exports and technology, with associated leverage accruing to Beijing. Chinese components and systems also raise cybersecurity-related risks to critical infrastructure, which are acute in light of PRC malign efforts like Volt Typhoon.

- China's restrictions on critical mineral exports to the United States demonstrate its willingness and ability to leverage control of energy technology supply chains for economic coercion. Beijing could use similar tactics to undermine U.S. diplomatic objectives and negotiations with third countries. In 2025, firms across North America, Europe, and Asia faced mounting delays and demands for sensitive data during China's mineral export license reviews—turning supply chain chokepoints into instruments of coercion and corporate surveillance.

- China's burgeoning role in global energy systems is occurring through multiple channels: its firms are involved in the construction and operation of energy infrastructure globally, its components are embedded in power systems throughout the world, and its manufacturers are increasingly investing in overseas factories to boost market share abroad.

- China's national energy strategy has been focused on using government policy to grow "electrification" as a means of reducing its reliance on fossil fuel imports, boosting energy efficiency, and reducing pollution and carbon emissions. While it is still the world's leading consumer of fossil fuels, China has made significant progress toward its electrification goals, including by continuing to build coal-fired power plants.

- In light of global trends in favor of reduced carbon emissions, Beijing saw electrification as having benefits not only for its energy policy but also for its goals to become a global manufacturing superpower and grow its geostrategic power. China leveraged access to its market and its industrial policy toolset to become a dominant producer of key "new energy" technologies, including EVs, batteries, solar panels, and core wind turbine components. Its policies have already wiped out solar panel makers in the United States and EU, and similar dynamics threaten foreign producers of EVs, wind turbines, and other low-carbon technologies, undermining efforts to de-risk supply chains. China is also a major producer of key equipment used in energy storage, transmission, and distribution. ■

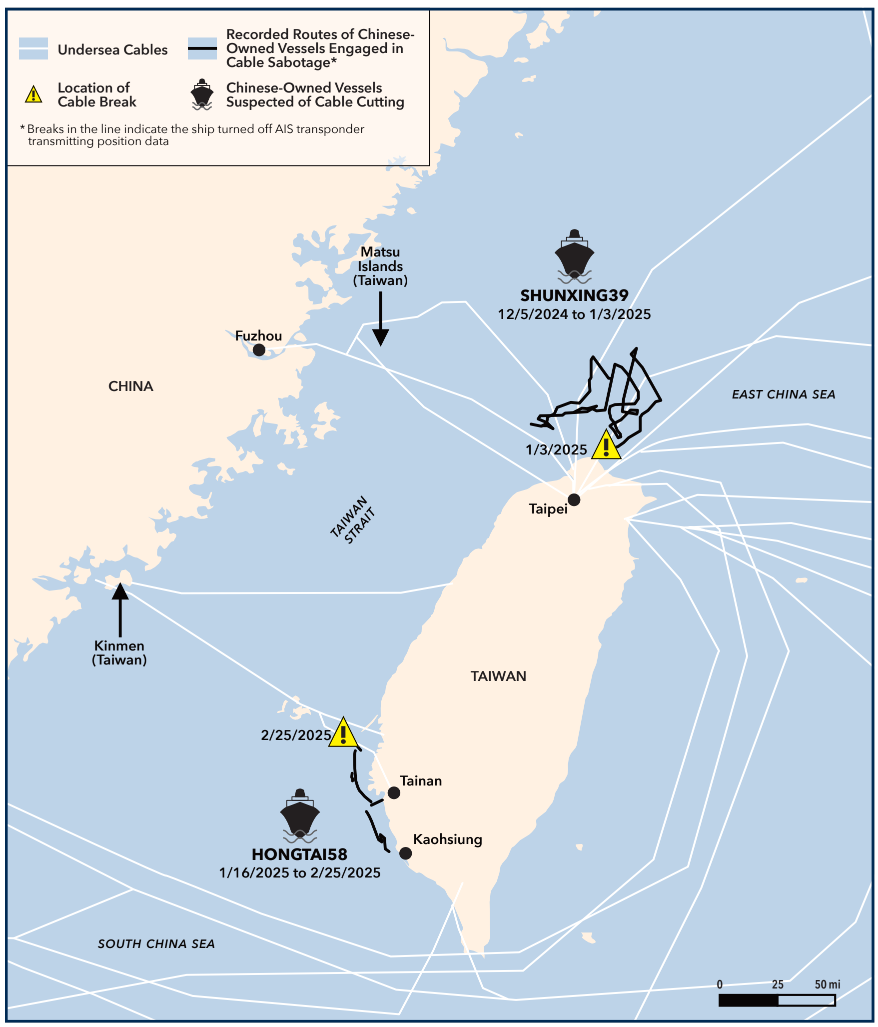
The extensive use of Chinese components in the U.S. power grid creates risks for cyber espionage and sabotage.

CHAPTER 11: TAIWAN

We have entered a crucial phase in Beijing's longstanding efforts to impose sovereignty over Taiwan. China is rapidly advancing toward its goal of being prepared to take Taiwan by force—while Taiwan and the United States strive to maintain the capacity to deter a Chinese invasion. China's persistent military activities near Taiwan, combined with new capabilities such as large amphibious assault ships and mobile piers, have enhanced China's capacity to blockade or launch an invasion of Taiwan with little advance warning. Beijing has also continued to escalate its multifaceted pressure campaign targeting Taiwan through military threats, economic coercion, and malign influence activities. Over the past year, Beijing has focused much of its information warfare activities on exacerbating domestic political divisions in Taiwan and driving a wedge between Taiwan and the United States. Moreover, China has continued its efforts to isolate Taiwan in the international arena by pressuring other countries to adopt Beijing's preferred positions and language regarding Taiwan.

In response to China's escalating pressure campaign, Taiwan has made progress enhancing its military deterrence and social resilience through larger and more realistic military exercises, efforts to accelerate the acquisition of new asymmetric defense capabilities, and new measures to counter Chinese malign influence. Taiwan has also continued to leverage its crucial role in technology supply chains—particularly its dominant position in advanced semiconductor manufacturing—to hasten economic diversification away from China. The United States has continued to support Taiwan through weapons sales and security assistance while working with Taiwan to enhance economic ties and build secure supply chains.

FIGURE 13
INCIDENTS OF CHINESE VESSELS SABOTAGING UNDERSEA CABLES NEAR TAIWAN IN 2025



Source: See the full Annual Report for complete list of sources.

China's persistent military activities near Taiwan, combined with new capabilities, have enhanced China's capacity to blockade or launch an invasion of Taiwan with little advance warning.

Key Findings

- Beijing is attempting to exploit domestic divisions in Taiwan by continuing its two-pronged approach to cross-Strait relations. On the one hand, Beijing has issued harsh threats against Taiwan's Democratic Progressive Party (DPP)-led government, which it accuses of promoting Taiwan independence. On the other hand, Beijing has also stepped up efforts to court opposition leaders, business interests, and youth in Taiwan through promises of economic benefits and cross-Strait exchange programs.

- In light of China's near-constant military training activities and maneuvers near Taiwan, as well as the People's Liberation Army's (PLA) improved military hardware and operational readiness, U.S. and Taiwan military officials have warned that the PLA could implement a blockade within "a matter of hours" and would potentially need only "minimal conversion time" prior to an attack on Taiwan.

- In addition to intensifying its military pressure on Taiwan, Beijing has also expanded a multifaceted campaign to weaken Taiwan's will to resist through economic coercion and inducements, espionage, information warfare, and undersea cable sabotage (see Figure 13). Chinese propaganda has focused especially on attempting to sow doubt about the U.S. commitment to Taiwan by fomenting uncertainty surrounding U.S. policies on Ukraine, tariffs, and semiconductors.

- Taiwan has made progress improving military readiness, enhancing societal resilience, and diversifying its economy. Nevertheless, bureaucratic inertia in the military as well as political gridlock between the DPP-controlled executive branch and the Kuomintang (KMT)-controlled legislature have cast uncertainty around efforts to speed up the modernization of Taiwan's defenses.

- Despite rising tensions with China, Taiwan's economy continued to perform strongly, driven by insatiable global demand for semiconductors and electronics. Taiwan's continued leadership in technology manufacturing processes coupled with efforts to diversify its trade and investment partners have begun to shift dependence away from China, limiting the sting of Beijing's economic pressure campaign.

- Taiwan is now among the United States' top ten trading partners, with goods exported to the United States overtaking those to China for the first time in over two decades. Taiwan's chip manufacturers have pledged record levels of foreign direct investment (FDI) to build semiconductor manufacturing facilities in the United States. As China pursues a strategy of technological and manufacturing dominance, Taiwan's companies will be important partners to prevent over-reliance on Chinese supply chains. ■

CHAPTER 12: HONG KONG

Beijing has dissolved the final vestiges of Hong Kong's political freedom, eliminating the last opposition party and expanding on the draconian Article 23 Ordinance to tighten its oversight of Hong Kong's legal system under an expansive definition of "national security." Civil society and free speech have followed similar fates, as authorities have largely succeeded in intimidating Hong Kong's citizens to discourage them from engaging in open opposition. The government has increased vigilance against so-called "soft resistance" at home while offering bounties on dissidents abroad. Nonetheless, attempts to assuage foreign businesses operating in Hong Kong appear initially successful, even as it is clear Beijing sees Hong Kong primarily as an extension of the Mainland's development objectives. Although Hong Kong officials maintain a pretense of independence in order to court international investment, the expansion of "national security" into all domains and pressure on private firms to operate in line with Beijing's political objectives make Hong Kong's system increasingly indistinguishable from the Mainland.

Key Findings

- As the Hong Kong government marked the fifth anniversary of the National Security Law, its ongoing crackdown has eliminated a once vibrant civil society and created an atmosphere of repression comparable to mainland China. The Hong Kong government continues to grant the Mainland authority and oversight of the city, passing legislation to award Beijing additional powers to intervene in local law enforcement via the Office for Safeguarding National Security (OSNS).

- Hong Kong security forces have expanded a campaign of transnational repression against leaders of the democracy movement who fled abroad, placing bounties on an additional 15 activists—including two Canadian citizens—canceling passports, and blocking access to their pensions. Authorities have also escalated harassment of activists' family members still in Hong Kong.

- After an exodus of foreign firms following China's imposition of the National Security Law in 2020, a concerted charm offensive to retain international business and rehabilitate Hong Kong's pro-commerce image appears to be bearing fruit. Many foreign firms remain in Hong Kong due to its proximity to mainland China.

- Hong Kong has emerged as an export controls and sanctions evasion hub, facilitating international transactions with and flows of restricted goods and advanced technology to Russia, Iran, and North Korea.

- Beijing's intervention to block CK Hutchison from selling its port investments, including in the Panama Canal, makes clear that Hong Kong firms are now subject to Chinese Communist Party (CCP) directives and that the Party will interfere in commercial transactions to advance its geostrategic objectives. For foreign firms and financial institutions operating in Hong Kong, this interference should be seen as an alarming precedent. Beijing could invoke the National Security Law to intervene in Hong Kong's civil proceedings, and the expanding reach of national security legislation could be used to interfere with transactions even with no mainland China or Hong Kong nexus.

Physical copies of the full 2025 Annual Report to Congress are available upon request to congressional offices and other U.S. government entities.

COMPREHENSIVE LIST OF **THE COMMISSION'S 2025 RECOMMENDATIONS**

The Commission considers 10 of its 28 recommendations to Congress to be of particular significance. These recommendations are denoted by an orange triangle ▲ next to the number.

COMPREHENSIVE LIST OF RECOMMENDATIONS

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 interagency 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.

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 biotechnology 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.

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:

[†] 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, 20231):396.

- ▶ 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.
- ▶ 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.

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

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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 offshore 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.

2025 Report to Congress

of the

U.S.-China Economic and
Security Review Commission

Executive Summary and Recommendations