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Highlights

- China Inaugurates State-Owned National Data Group to Bolster Its Data Economy
- Chinese Troops Occupy Positions on India's Side of Disputed Border Despite Improved Relations
- China Shock 2.0 Continues: Record Q3 Trade Surplus Fuels Trade Tensions
- China Creates New Tool in U.S.-China Tech Competition, with Proposed New Rules to Restrict Exports of Frontier AI Models

China Inaugurates State-Owned National Data Group to Bolster Its Data Economy

Since designating data as a factor of production in 2020, China has been working to elevate data as a strategic resource for economic growth and technological development. The establishment of the National Data Group is a next step in this effort. The top-down design of China's broader industrial policy allows for experimentation with some data applications while maintaining strict government oversight and control over data resources.[1]

- On October 20, Chinese Vice Premier Ding Xuexiang announced the establishment of the China National Data Group, a state-owned enterprise that Ding argued would help China "seize opportunities in artificial intelligence (AI) development and build new competitive advantages."[2] Ding also argued that Chinese Communist Party (CCP) leadership must be integrated throughout all aspects of China's developing data industry, reiterating the importance of this industry to General Secretary of the CCP Xi Jinping.[3]

- An October *China Daily* article featuring excerpts from interviews with two experts characterized this

development as the next phase of China's transition of data from "a resource to an asset."[4] Figures released at the 2026 China International Big Data Industry Expo in August showed that the scale of China's data industry reached renminbi (RMB) 6.78 trillion (approximately $1 trillion) in 2025, a 15.7 percent increase year-over-year, according to Xinhua.[5] For more on how China is developing the legal and institutional framework to establish data as a factor of production, see U.S.-China Economic and Security Review Commission, *The People's Republic of Data: How China Is Turning Data into Capital*, August 18, 2026.

- The article also highlighted the importance of China's growing data industry for the development of AI, arguing that that value of data will increasingly be derived from their use in AI applications, creating substantial growth opportunities.[6]

- As discussed in the Commission's *The People's Republic of Data* and its forthcoming Annual Report chapter, *Collect, Steal, Buy, Fuse, Monetize: How China Is Turning Data into Assets and Ammunition*, China has a comprehensive strategy for data—from government control, to collecting and analyzing it, to promoting its value to China's technological and economic competition. Meanwhile, the United States still has no coherent policy and tends to treat data-related policies in stovepipes.

Chinese Troops Occupy Positions on India's Side of Disputed Border Despite Improved Relations

Since late July, People's Liberation Army (PLA) troops have established encampments roughly four miles inside of India's claimed border in Arunachal Pradesh and engaged in several face-offs with Indian troops.

- On October 22, the head of India's Indo-Tibetan Border Police publicly confirmed that Chinese troops had returned to disputed areas along the border and that face-offs with the PLA had occurred at multiple locations.[7] This marked the first time an Indian government official publicly acknowledged the confrontations.[8] New Delhi previously denied territorial intrusions in Arunachal Pradesh as it engaged in several rounds of bilateral talks with Beijing in recent months.[9]

- Relations between India and China ruptured in 2020 when PLA troops moved into contested areas along the western India-China border, sparking a deadly clash in the Galwan Valley, where 20 Indian soldiers and at least four Chinese soldiers were killed.[10] High-level bilateral relations only began to thaw in late 2024.[11] Xi Jinping visited India for the first time in seven years in September 2026.[12] India has previously called stability at the border a prerequisite to productive bilateral relations.[13]

- Beijing is again using its dual-track approach to advance its interests: pursuing diplomatic engagement while simultaneously using coercive measures to change conditions on the ground. Following the 2020 crisis, disengagement agreements established buffer zones that prevented Indian troops from patrolling some areas they previously accessed in eastern Ladakh.[14] Beijing appears to be applying a similar approach in Arunachal Pradesh, where local groups report the PLA has built camps, roads, and bridges on lands their communities have traditionally used.[15] China's efforts to change the status quo through sustained military pressure risk unintended escalation, particularly in this area, where opposing forces operate in close proximity.[16]

- *For more analysis of China's dual-track approach and its efforts to assert claims along its disputed border with India, see the Commission's 2026 Annual Report to Congress, scheduled for release on November 18.*

China Shock 2.0 Continues: Record Q3 Trade Surplus Fuels Trade Tensions

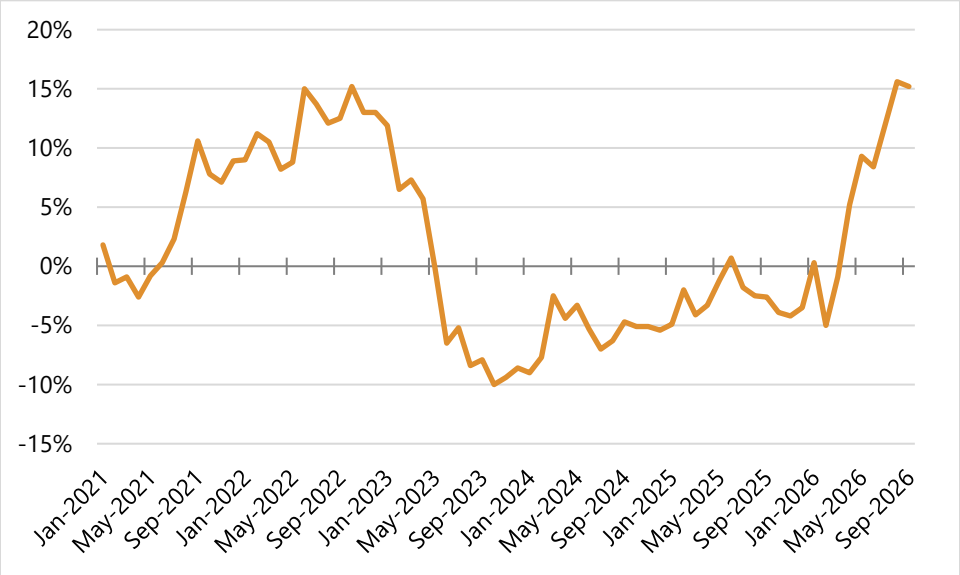
China claims it is on track for the low end of its full-year growth target of 4.5–5 percent, with a reported year-on-year real GDP growth rate in Q3 of 4.5 percent.[17] However, as consumption and investment continue to weaken, Beijing remains dependent on trade surpluses that face growing resistance from trading partners.

- Exports carried growth as domestic demand and investment continued to weaken. China's total trade surplus hit a new record of $365 billion in Q3.[18] China's September trade surplus with the EU reached a record $34.8 billion, and it even hit a 20-month high of $34 billion with the United States.[19] Meanwhile, consumption's share of GDP growth so far this year through September fell to a 13-year low, outside of the COVID-19 pandemic.[20] Fixed asset investment continued to contract, down 7.2 percent year-on-year over the same period.[21]

- Trading partners are stepping up efforts to push back against China's growing imbalances, posing a threat to Beijing's export-led growth strategy. In September, the EU intensified pressure on China to narrow the trade gap, demanding initial action by October.[22] The EU is now seeking concrete restrictions on specific products, such as voluntary limits on Chinese hybrid vehicle exports, as well as restrictions on chemical exports.[23] Even Germany, previously wary of retaliation against its auto industry, began preparing a package of broader tariffs and investment restrictions.[24]

- China faces other potential threats to export growth, including higher prices from an ongoing energy price shock and exposure to a slowdown in the AI buildout. Higher prices in Q3, driven by increased energy costs and strong global demand for AI products, inflated China's export values without a commensurate increase in volume.[25] Rising energy costs from the Iran conflict pushed the producer price index up 5.0 percent year-on-year in September, contributing to higher export values based on rising prices (see Figure 1).[26] While semiconductor export values rose 136 percent year-on-year in September, that mostly reflects price increases due to a scarcity of chips for the AI buildout—China's chip export volume grew just 1 percent.[27] With most estimates indicating a scarcity of memory chips lasting at least through 2027, higher prices are likely to continue to buoy China's export totals.[28]

Figure 1: Year-on-Year Change in Unit Value for China's Manufactured Goods Exports, January 2021–September 2026



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

China Creates New Tool in U.S.-China Tech Competition, with Proposed New Rules to Restrict Exports of Frontier AI Models

On October 16, China's Ministry of Commerce and Ministry of Science and Technology proposed new export controls and imposed immediate registration requirements on China's most advanced AI models.[29] The proposal would prohibit the export of China's closed frontier AI models, though its companies could still offer AI services through application programming interfaces (APIs), apps, and the cloud. It continues China's efforts over the past year to grow its economic statecraft toolkit and to ensure tight CCP control of advanced Chinese technologies.

- As discussed in the Commission's March 2026 *Two Loops* staff paper, to date, China's AI strategy has focused on open models.[30] The approach reflects both the constraints on advanced compute imposed by U.S. and partner country export controls and Beijing's belief that diffusion of AI will maximize the benefits of the technology and will itself be a pathway to more advanced AI.[31] While the proposal exempts existing open-source models and provides simplified licensing for future open-source releases, it also sets up an advance registration requirement that could morph into a veto by Beijing on future frontier-level open model releases.[32]
- The Commission's forthcoming Annual Report chapter, *Silicon to Sovereignty: China's Bid to Control the AI Tech Stack: From Wafers to Weights, Part One*, discusses China's open model strategy

and a recent trend by China's frontier labs to release closed models as they seek better ways to monetize. Xi Jinping has prioritized AI as crucial to China's technology ambitions and economic growth, and the new export control proposal signals confidence by Beijing that its technology gives it global leverage. The same proposal also would control exports of certain advanced biotech and solar technologies—areas where China has made major strides or is already a global leader.[33]

- The proposal is just the latest step by China to expand its economic statecraft toolkit. As discussed in the forthcoming 2026 Annual Report chapter, *U.S.-China Economic and Trade Relations (Year in Review)*, during this year's trade détente with the United States, China has been steadily expanding its laws and regulations to exert leverage in U.S.-China technology competition, to punish foreign company cooperation with U.S. and allied export controls and sanctions, and to deter de-risking from China.

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Endnotes

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