



***Hearing on “Technology, Trade, and Military-Civil Fusion:  
China’s Pursuit of Artificial Intelligence, New Materials, and New Energy***

**June 7, 2019**

**Opening Statement of Commissioner Thea Lee**

Good morning, and welcome to the fifth hearing of the U.S.-China Economic and Security Review Commission’s 2019 Annual Report cycle. I want to thank our witnesses for being here today, and for the time they have put into their excellent written testimony. I would also like to thank the USCC staff for their excellent work in pulling together the hearing and the Senate Finance Committee and its staff for helping to secure our hearing room.

Today’s hearing will assess the Chinese government’s ambitions and progress toward global leadership in three sectors: artificial intelligence, new and advanced materials, and new energy, particularly energy storage and nuclear power. As opposed to more mature sectors, commercialization of technological advances in these fields could be highly disruptive to our current economy, creating many new jobs but also displacing other jobs and commerce. Many of these advances have military as well as commercial applications, and could provide U.S. adversaries with asymmetric advantages against superior conventional weapons systems.

In short, the stakes are high, and continued U.S. technological leadership is not guaranteed. The systematic and policy-driven efforts of the Chinese government to secure a decisive advantage in these technologies present a significant threat. For instance, China’s government has expressly enacted a plan of becoming the global leader in AI by 2030, and is already applying AI to a range of problems that challenge U.S. interests and values. Likewise, Chinese materials science has benefited tremendously from a combination of state support and an inflow of talent educated in the United States. China stands poised to commercialize many discoveries made by U.S. laboratories at the expense of U.S. manufacturers – and funded at least in part by U.S. taxpayers.

In new energy, China has progressed from catch up to innovation. Through industry consolidation and support of its new energy vehicle market, China has come to dominate the battery supply chain in the last two years and has plans to triple its lithium-ion battery production capacity. It also has the most nuclear reactors under construction and has courted many countries along the belt and road as future export markets for nuclear reactors and components.

China’s rapid technological development is capitalizing on the absence of supportive policy in the United States and a willingness to outsource key stages of the production processes by U.S. companies. For instance, where U.S. civilian nuclear is on the decline both domestically and abroad, Chinese companies are stepping in, funding R&D to build the next generation of reactors. China’s advances in energy storage production were jumpstarted by a series of acquisitions of U.S. battery manufacturers. Maintaining strong domestic capabilities is a necessity for ensuring economic dynamism at home, competitiveness abroad, and continued influence in global economic governance that will shape our future.

I will now turn the floor to my co-chair, Vice Chairman Robin Cleveland, for her opening remarks.

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