CHINA ECONOMIC & STRATEGY INITIATIVE

DEFEATING THE CCP

A RUNNING START

NOVEMBER 2024

CESI

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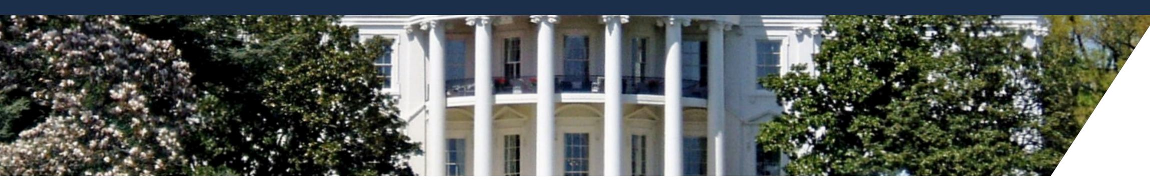
About CESI

The China Economic and Strategy Initiative (CESI) is a nonprofit research organization that is committed to promoting and advancing the United States' economic and security interests, with a focus on strategic competition with the People's Republic of China (PRC).

CESI's core mission is to drive the development and execution of a U.S. economic strategy to beat the Chinese Communist Party (CCP). CESI equips U.S. policymakers with the information, analysis, and recommendations they need to develop an actionable strategy for the U.S., alongside its global partners, that can address the growing threat from the PRC.

CESI was founded in 2022 and is led by the Honorable Randall Schriver (Chairman) and Dan Blumenthal (Vice Chairman). CESI operates under the auspice of the Project 2049 Institute which is located is in the Washington D.C. area and is a 501(c)3 tax-exempt organization that is committed to producing independent, quality, and non-partisan research.

EXECUTIVE SUMMARY



Executive Summary

America is now in a cold war with the Chinese Communist Party (CCP), and the global economy is ground zero. The president must lead a strategy to beat the CCP that safeguards the American economy, targets illegal and threatening economic activity by the CCP, and builds new global economic power centers.

The repressive CCP regime has become adept at weaponizing the People's Republic of China's (PRC's) position in the global economy to build geoeconomic leverage, fund its military modernization, fuel its global illicit activities, and wage economic warfare on the U.S. And the U.S. must have a comprehensive strategy to defeat this threat.

The January 2025 presidential transition is an opportunity for the new president to mobilize all elements of U.S. national power to defend against CCP economic aggression and prepare the American people for economic warfare. To achieve this, the president must clearly define U.S. end states for this cold war which should include:

- U.S. global interests and the American way of life are secured.
- The CCP's credibility and ability to exert malign influence have been reduced.
- The CCP is denied the economic security needed to pursue its global security interests.
- The CCP's aggression, especially in its geographic periphery, is deterred.
- The United States and its network of allies defend the free world.

It is crucial that the president initiate a strategy to defeat the CCP on day one. The president must set the tone by taking seven immediate actions—many of which will need to happen simultaneously—to set the foundation for U.S. posture toward the CCP for the next four years.

ACTION 1: Build an NSC to Lead and Win

The president must build a National Security Council (NSC) team that can drive the executive branch to execute the president's strategy for economic competition with the PRC. The president should name a **Strategic Competition Coordinator** within the NSC to lead a policy team that is responsible for overseeing the president's strategy as it pertains to industrial and supply-chain integrity, economic espionage and crimes, critical and emerging technologies, global economic policy, and economic strategy/plans. In addition, the president should release a **National Security Presidential Directive** that establishes an NSC process that reflects economic competition with the PRC as the president's priority.

ACTION 2: Deploy a Winning Economic Strategy

The president should release a **National Security Decision Directive** that issues clear guidance to the bureaucracy, detailing what the priorities are for U.S. economic competition with the PRC. Core elements of this strategy should include: **1)** securing the American economy through strategic decoupling; **2)** degrading the PRC's ability to compete economically by deploying the U.S. legal arsenal and developing economic war plans for a wide range of scenarios; and **3)** building new global economic power centers to reduce collective reliance on the CCP.

ACTION 3: Assemble a Team and Develop a Budget

In addition to a strong NSC team, the president will need to be **deliberate in building an interagency team** focused on economic competition with the PRC. Staffing key positions in the Department of State, Department of Defense, Department of Commerce, Department of Treasury, U.S. Trade Representative, and Department of Justice will be key. In addition, the president will need to take swift action to ensure that the resources needed to compete are available and seek to **shape the Fiscal Year 2026 budget process** to reflect the threat from the PRC.

ACTION 4: Safeguard America and Take Targeted Economic Action

The president's strategy must translate into concrete action. Deliberate action to **strategically decouple** from the PRC in critical minerals, biopharmaceuticals, and semiconductors should be prioritized. Action to restrict PRC investment in the U.S. and American investment going to China is also required. **America's legal arsenal** should be deployed to combat the CCP's role in the fentanyl crisis, theft of intellectual property, and unfair trade practices. Lastly, the president must give the order to build an economic plan for the U.S. to go on the offensive—**initiating an economic war-planning process** that continues current efforts to deny and degrade the CCP's economic advantage but provides the options for escalation during a conflict.

ACTION 5: Forge New Global Coalitions and Reassert U.S. Leadership

The president must reassert U.S. leadership on the world stage by forging new global coalitions. Identifying U.S. global economic and trade priorities, in the context of economic competition with the PRC, is mandatory to executing a broader economic strategy to decouple and reduce the United States' overall risk to CCP influence. The president should seek to create a **Critical Capabilities Compact** with partner nations to harmonize export controls, coordinate investment, and establish **Strategic Trade Agreements** that reinforce shared supply chains—efforts that would position America, as well as its partners, for success.

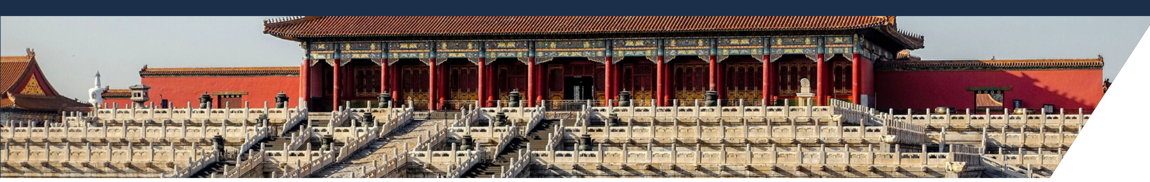
ACTION 6: Build Support in Congress

The president cannot defeat the PRC without enduring support from Congress. Deliberate action should be taken to gain congressional support for the president's economic strategy, thus securing the resources and trade authorities that the president will need to effectively secure the American economy. The president should request to establish a new **Export Control Agency**, the head of which is a direct report to the Secretary of State or the president, similar to the U.S. Trade Representative. The agency's goal is to better coordinate the U.S. export regimes with foreign policy and national security objectives.

ACTION 7: Develop a Communications Strategy

The president must gain the support and trust of the American people to execute a strategy to beat the PRC economically. The **president should address the American people** directly to identify the threat posed by the CCP and how it is affecting Americans, identify the U.S. objectives in this fight, outline the strategy, and acknowledge the sacrifice that will be required. In addition to the president's own speech, the president should direct their cabinet secretaries to embark on a strategic messaging campaign to further detail how the CCP is threatening our economic and national security interests.

THE CHINA CHALLENGE



The China Challenge

The United States is locked in a new cold war with the Chinese Communist Party (CCP)—not the people of China. If America is going to emerge victorious, now is the time to deploy a more robust strategy, composed of unambiguous laws and policies, that builds on the bipartisan consensus in Washington to outcompete Beijing.

Much like the Cold War with the Soviet Union, America is once again facing an ideological threat—this time from the CCP—that is intent on using whatever means necessary to impose its ideological and authoritarian ambitions on the global community. But the extent to which the CCP and the People's Republic of China (PRC) are embedded in the American, and global, economy is categorically different.

While U.S. strategic documents refer to "strategic competition," the reality is that the U.S. is being actively targeted by the CCP, and a new cold-war posture is necessary. The United States, along with a growing number of allies and partners, is now clear-eyed on the role that the CCP plays in stoking geopolitical and economic turmoil—and is finally prepared to act.

But the cold war in which the U.S. finds itself today is not the same as the one waged against the Soviet Union decades ago. Instead of battling for ideological supremacy in a bifurcated world, the U.S. is now facing an adversary that is entrenched in the global economy and international institutions and that is intent on degrading U.S. supremacy and the promotion of a free and fair world.

For decades, the CCP has launched a systematic assault on the United States by actively employing policies to undermine America's political, economic, and national security interests. Globally, the CCP has worked tirelessly to change the status quo—to undermine and degrade democracy, multilateral institutions, human rights, global peace and stability, and the free and open economic system—all while attempting to promote the CCP's deeply flawed governance model. Throughout it all, U.S. policymakers have tried to brush all this off, misled by the CCP's charade of "win-win" solutions and convinced that engagement would eventually lead to a liberal, friendly China. But the reality of this new cold war can no longer be ignored.

The CCP, which governs the PRC as a one-party, repressive dictatorship, has become adept at weaponizing China's position in the global economy in order to gain economic leverage, fuel its military modernization, fund its global illicit activities, and wage all-out economic warfare on the United States. The consequences of the CCP's unchecked behavior are now being fully realized. Furthermore, the assumption that the PRC's inclusion in the global economy would lead to a systemic change to the CCP's modus operandi—and, ultimately, to political liberalization—has been proved irrefutably false.

America must now deploy a new global economic strategy, led by the president, that safeguards the American economy and workforce, degrades the CCP, builds new global economic power centers free from the CCP's authoritarian influence, and preserves U.S. economic dominance. The deep economic integration shared by the U.S. and the PRC, along with the global economic footprint of both nations, makes the scope and scale of this challenge immense.

The U.S. must, however, always bear in mind that the sacrifice and cost of not addressing the threat from the CCP, a cost that America has already begun to feel, will be far greater than the sacrifice that will be imposed from executing a strategy to combat this present and growing threat.

Re-posturing the U.S. for this cold war will not be easy and will require sacrifice on a national and an individual level. The president will need to exercise strong leadership to develop and initiate the required economic strategy, and successors will need to act with courage to maintain the course in what will likely be a generation-long struggle. The president should endeavor always to remind Congress, business leaders, and the press that the costs of delayed, insufficiently bold actions against Beijing's economic aggression are even higher for the United States than the disruptions caused by timely, effective policies. Too often, public discourse ignores the repercussions of inaction. The American way of life must be protected, and the U.S. must be ready to deploy a strategy to protect it.

China's Ambitions

The PRC has been waging a cold war against America for decades. At the direction of the CCP, the PRC has been pursuing a multipronged global strategy to advance its political, economic, and military objectives while simultaneously working to erode American prosperity and international influence.

The CCP's global ambitions are underpinned by a communist ideology that is inherently incompatible with capitalism and democratic values. Textbooks in the PRC reinforce the message that the CCP's "ideology and social system are fundamentally incompatible with the West.… [O]ur struggle and contest with Western countries is irreconcilable."[1] For the CCP, it is not simply "competition" with America but an ideological battle against the West that current CCP leader and president of the PRC, Xi Jinping, is now leading to ensure that, as he puts it, "capitalism will inevitably perish and socialism will inevitably triumph."[2] Official texts on "Xi Jinping Thought," as the dictator's ideology is called, are clear about Xi's and the CCP's objectives: "When it comes to combat in the ideology domain, we do not have any room for compromise or retreat. We must achieve total victory."[3] As Xi summarized in one of his speeches, "[O]ur struggle and contest with Western countries is irreconcilable, so it will inevitably be long, complicated, and sometimes even very sharp."[4]

The steady progression of CCP influence and, in turn, ideology globally is not an accident but a continuation of Mao Zedong's "long struggle" and goal of "exporting revolution."[5] Deng Xiaoping, who "normalized" relations with the West, by no means abandoned Mao's thinking but instead adapted the CCP's strategy to meet the geopolitical times. Deng's approach for China to "hide and bide" to conceal its ambitions was deliberate—and effective. It allowed China to access foreign markets and technology and, eventually, "become a larger political force."[6]

President Xi has, however, ended this charade. President Xi's pursuit of the "Chinese dream" meant that China's ambitions could no longer stay hidden, as the CCP sought the great "rejuvenation of the Chinese nation" and a position atop the global hierarchy. President Xi now asserts that China should "lead the reform of the global governance system," and declared a "new era" that will see China "moving closer to center stage."[7] To achieve this, the CCP has set forth a series of political, economic, and military objectives to work toward as it strives to realize the "Chinese dream":

- The party aims to "complete national defense and military modernization" by 2035 and to transform the People's Liberation Army (PLA) into "a world-class military" by the middle of the century.[8]

- By 2049, China aims to be at the forefront of the world's manufacturing powers and possess "obvious competitive advantages" in the major areas of manufacturing.[9]

- The party aspires for China to "enter the first rank of innovation-oriented countries" by 2035.[10] Xi has vowed that China will "resolutely win the battle in key core technologies."[11]

Despite nearly four decades separating Chairman Mao and President Xi, the ideology of the CCP has never been more alive and well. The CCP has been consistently implementing a coherent strategy, one that has spanned more than 60 years, to achieve its objectives. A 2021 CCP document states that the party "must fight to the end with any forces that would attempt to subvert the leadership of the Communist Party of China and China's socialist system, or to hinder or obstruct China's advance toward national rejuvenation."[12] To achieve this, economic security has become a central element of the CCP. The CCP derives its legitimacy through this promise of domestic prosperity and economic growth, with this unspoken bargain forcing the Chinese people to endure harshly repressive actions and costing them their voices. The CCP has also used economics as its foundation for global power, which, in turn, provides the CCP the geoeconomic leverage—the ability to influence the global political and security environment through economic leverage—that it needs to pursue its global security ambitions with little or no consequences.

China's Cold-War Strategy

The CCP's cold war against America has been carried out through shrewd policies aimed at building the PRC's geoeconomic leverage and political clout and modernizing its military—while at the same time undermining the advantages of the U.S. and its global partners.

At the center of the CCP's strategy are the deliberate efforts of Chinese policymakers to formulate and implement plans to dominate industries and technologies crucial for future economic, military, and political power. These plans also aim to boost China's "self-reliance" and reduce the extent to which it relies on other nations, particularly the U.S. and its allies, for goods and technologies critical to China's national and economic security and great power ambitions.

"Self-reliance" is a long-standing goal that has become an especially urgent task for Chinese policymakers amid rising geopolitical tensions. In 2006, the CCP unveiled the Medium- and Long-Term Program for Science and Technology (MLP) (2006–20). This plan sought to transform China into an "innovation-oriented society" by 2020 and a world leader in science and technology by 2050. A key objective of the plan was limiting China's dependency on foreign technology to no more than 30% by 2020.[13]

The MLP stated the government would prioritize supporting investment and innovation in more than 68 technologies essential to China's economic and national security, as well as eight "frontier" technologies vital to the nation's ability to remain technologically competitive. It also called for policies that support "indigenous innovation," or the "assimilation and absorption" and "re-innovation" of foreign technologies by Chinese companies.[14]

In 2010, the State Council unveiled the "Decision to Accelerate the Fostering and Development of the Strategic Emerging Industries by the State Council," identifying seven cutting-edge "strategic emerging industries" (SEI) in which the party aimed to boost China's technological capabilities, including Energy Conservation and Environmental Protection, New Generation of Information Technology, Biotechnology, High-End Equipment, New Energy, New Materials, and New Energy Automobiles. In 2016, Digital Innovation was identified as an eighth SEI. Beijing has made supporting these SEIs a priority, reflected in the fact that in 2012 and 2016, the CCP released five-year plans focused solely on developing SEIs.

The Made in China 2025 initiative, unveiled in 2015, expanded upon these earlier plans and is the first phase in a three-part strategy to make China a manufacturing superpower by 2049. It aims to ensure that China leads innovation and manufacturing not only in high-end industries but in more traditional sectors that are essential to national and economic security as well. The plan identifies ten sectors as priorities: 1) next-generation information technology; 2) high-end numerical control machinery and robotics; 3) aerospace and aviation equipment; 4) maritime engineering equipment and high-tech maritime vessel manufacturing; 5) advanced rail equipment; 6) energy-saving and new energy vehicles; 7) electrical equipment; 8) agricultural machinery and equipment; 9) new materials; and 10) biopharmaceuticals and high-performance medical devices. Made in China 2025 also seeks to ensure that by 2025, there are "domestic sources" for 70% of core components and materials.[15]

China's "dual circulation strategy," first introduced by Xi Jinping in May 2020, broadened the goal of China's economic policy to essentially be one-sided decoupling. This strategy entails increasing China's production and exports of high-value-added commodities while simultaneously boosting domestic consumption. The strategy aims to mitigate China's reliance on imports and the extent to which the Chinese economy is reliant on export-driven growth, enabling it to enact its malign objectives on the global community free from consequence or retaliation. "Dual circulation" was made a central part of China's current 14th Five-Year Plan, with a whole chapter of the plan dedicated to the strategy.[16]

Additionally, through the military-civil fusion (MCF) strategy, Beijing has sought to develop technologies and industrial capabilities that increase China's economic and military power. Many elements of the MCF date back to the 1990s and early 2000s. However, under President Xi Jinping, it has coalesced into a holistic effort to mobilize the nation's civilian and military resources to enhance China's capabilities in dual-use technologies and industries. Under the MCF, China has sought to develop a number of key technologies and industries, including quantum computing, big data, semiconductors, 5G, nuclear technology, aerospace technology, and artificial intelligence (AI).

The CCP has used a variety of domestically focused economic policies to implement these plans and strategies. Both the central government and provincial and local governments have provided vast subsidies to support the operations and R&D efforts of companies in strategic sectors. This assistance has come in a variety of forms, including grants, tax breaks, equity investments, and low-interest loans.[17] One conservative estimate from 2019 suggested that China has spent over $248 billion on its industrial policies—far more than any other country.[18]

The government has also indirectly subsidized Chinese firms by establishing a variety of public-private investment funds, known as government guidance funds. A 2022 report from the U.S.–China Economic and Security Review Commission noted that more than 1,800 funds have been established and have raised over $900 billion. The CCP has established a national-level "Big Fund" and at least 15 local-level funds to support China's semiconductor industry.[19] In 2021, the U.S. semiconductor industry estimated that Chinese semiconductor firms had received over $50 billion in direct and indirect subsidies.[20]

Beijing's support of these firms not only increases China's industrial and technological capacity and "self-reliance," enabling the CCP to act with impunity across the globe, but also degrades the economic prowess of the U.S. and its allies. Subsidies enable Chinese manufacturers in certain sectors to rapidly expand their operations and undercut their foreign competitors with lower prices. Chinese firms are then able to gain a significant advantage in—and, in some cases, near total control over—the global market for these strategic goods. Examples include steel, electric vehicles (EVs), and solar panels.[21] Floods of subsidized, cheap Chinese exports have decimated the industrial base of not only the U.S. but several of its allies.

Additionally, through a variety of market access restrictions and trade barriers, Beijing has ensured that Chinese companies in strategic sectors are protected from foreign competition. By denying or restricting access to the Chinese market, a lucrative revenue stream, the CCP has undermined foreign companies in strategic sectors and reinforced China's dominance over the global market for critical commodities.

Following Xi's guidance that the party should "use the pull of China's market to attract global resources and deepen global dependence on China,"[22] the CCP has actively used its role as a prominent manufacturer of strategic commodities as economic leverage. This has proved an effective means for Beijing to advance its geopolitical and economic interests.

Furthermore, Beijing has used the lure of the Chinese market and substantial tax incentives to attract foreign companies with valuable technology and industrial expertise to establish R&D or production centers in China. Chinese regulations on foreign investment require many foreign firms to enter into a venture or partnership with a Chinese company in order to do business in China. Foreign companies often have little choice but to share their intellectual property with their Chinese counterparts. Chinese licensing requirements further facilitate forced technology transfers.[23] Once the technology or product is co-opted, the Chinese firm can develop it with the backing of generous state subsidies—often resulting in its foreign partner being forced out of the market.

China has used its trade and foreign investment policies to reinforce these policies and advance its industrial and technological objectives. Under the strategy of "going out," introduced by Jiang Zemin in 1997, Chinese companies were encouraged to break into foreign markets and increase their foreign investments through a variety of incentives, including export-tax rebates, foreign-exchange assistance, and subsidies.[24] Chinese companies were—and continue to be—directed to invest in and acquire foreign firms that are working on priority technologies.

The CCP has diligently safeguarded China's critical industries and technologies. Chinese laws, including the 2021 Special Administrative Measures for Foreign Investment, prohibit or severely restrict Chinese companies in certain strategic sectors from listing shares abroad and limit foreign investment in key industries.

Additionally, in its quest for industrial and technological dominance, Beijing has shamelessly engaged in rampant IP theft—dealing a severe blow to the economy and technological competitiveness of the U.S. and its allies. The exact amount that Chinese state-backed hackers have stolen from the U.S. and its allies is unknown; however, IP theft has been estimated by the Commission on the Theft of American Intellectual Property to cost the U.S. economy $225–$600 billion annually.[25] As of 2021, China had at least some connection to about 60% of trade-secret theft cases prosecuted by the Department of Justice.[26] China's theft of American IP was described by FBI Director Christopher Wray as the "greatest long-term threat" to U.S. prosperity.[27]

What's more, the CCP has put in place a robust legal framework to aid and justify its ability to coerce foreign companies and force the transfer of intellectual property that could aid the PRC's economic and military modernization efforts. Notable legislation includes:

- **1993 Company Law:** Requires all companies operating in China—both foreign and domestic—to permit the establishment of a party organization "to carry out the activities of the Party in accordance with the [CCP] Constitution" and to provide the "necessary conditions" for said party organization's activities.[28] Many Chinese companies now have party cells, or committees of CCP members, that give the party a powerful mechanism to access the firm's intellectual property and proprietary technology. These cells also enable the CCP to ensure that the activities of Chinese companies support its industrial and technological policy objectives. The number of these cells in Chinese companies—and their power to influence corporate decision-making—has increased dramatically in recent years as Xi Jinping tightened the party's control over the economy.

- **2015 China's National Security Law:** Created the legal infrastructure for China's security apparatus. The law creates a broad series of obligations for Chinese citizens and companies to support "national security," including reporting information on activities that may damage national security; protecting and providing (to the authorities) evidence on activities that may damage national security; protecting national secrets; and providing data, information, and technological support or assistance to security agencies, law-enforcement agencies, and the military.[29]

- **2017 Cybersecurity Law:** Requires "network operators" (i.e., internet service providers) to provide support to public security agencies in supporting national security.[30] It also requires companies that are providers of "critical information infrastructure" to store personal information and "important data" in China unless they have passed an official security assessment. "Critical information infrastructure" is defined very broadly as that which, if destroyed, compromised, or leaked, might seriously endanger "national security, national welfare, the people's livelihood, or . . . public interest."[31]

- **2017 National Intelligence Law:** Article 7 of the law states: "All organizations and citizens shall support, assist, and cooperate with national intelligence efforts in accordance with law, and shall protect national intelligence work secrets they are aware of." Article 14 gives Chinese intelligence agencies the authority to request assistance/cooperation from organizations and individuals.[32]

- **2014 Counter/Anti-Espionage Law:** Introduced to "prevent, frustrate and punish" acts of espionage, China amended this law in 2023. The amended law includes an extremely broad definition of what constitutes espionage, including activities "carried out, instigated or funded" by people and entities "other than espionage organizations and their representatives."[33] Authorities are entitled "among other things, to inspect electronic equipment, raid facilities, seize documents, collect data, freeze property and arrest individuals—all of which can be filmed. Foreigners who are charged with spying can be swiftly deported and forbidden from entering Chinese territory for up to 10 years."[34]

- **2021 Anti-Foreign Sanctions Law:** This law enables Beijing to take a broad range of countermeasures when it deems that "discriminatory restrictive measures" imposed by foreign states "violate international law and basic norms of international relations to contain or suppress [China]." Those who "directly or indirectly participate in the drafting, decision-making, or implementation" of sanctions or other restrictive measures can be targeted by countermeasures. The law also prohibits Chinese and foreign companies from complying with or enforcing sanctions against Chinese entities. Additionally, it gives Chinese companies affected by sanctions the right to sue for compensation.[35]

In addition to positioning China to become a leader in strategic sectors and critical technologies, the CCP's strategy has been focused on building a global economic network to secure its domestic resource needs, such as energy and goods, while at the same time building geoeconomic leverage. Under China's "going global" policy, Chinese companies were directed to invest not only in foreign technology firms but also in projects that would meet China's need for oil, gas, and minerals.[36]

The Belt and Road Initiative (BRI), through which Beijing is estimated to have invested $1 trillion in about 140 countries around the world,[37] has become a vital element of the CCP's strategy to leverage the global community for the survival of the CCP regime. To date, much of the BRI's focus has been on building infrastructure such as railways, ports, and roads that make it easier for the CCP to import the resources that it needs for its economic security, particularly energy and other raw materials for its industrial base. Additionally, through the BRI, Chinese companies have invested billions in mining, agricultural, energy, and telecommunications projects around the world. These efforts have not only secured China's supply chains but also enabled Beijing to wield considerable geopolitical influence—especially in places such as Africa and Latin America.

As with to the dual-circulation strategy, China has sought to be not overly reliant on any single country as a source of imports. As geopolitical tensions with the West have risen, Beijing has increasingly sought to diversify its network of trade partners, deepening its ties with the Middle East and Latin America, in particular. This strategy is not just about the CCP securing its economic interests but a strategy to export the CCP's repressive regime on an international scale by building the leverage required to deploy its security apparatus globally.

America Must Mobilize

America must mobilize to compete against the PRC, and the president must lead the charge. For decades, policymakers in Washington, D.C. advocated for deepened bilateral ties with Beijing, especially on the economic front, and for the PRC's inclusion in the international community. These actions were driven by the false promise of a "win–win" with the PRC and hope that the CCP's inclusion in the global economic order would lead to its eventual liberalization and participation as an equal and rule-abiding member—a hope that has now proved to be severely misplaced.

The beginning of the Trump administration in 2017 marked a major change in America's post–Cold War foreign policy, with a shift to great power competition and the identification of the PRC as America's number one threat.

The Trump administration's 2017 National Security Strategy (NSS) acknowledged that the PRC, along with Russia, sought to challenge "American power, influence, and interests, attempting to erode American security and prosperity." The 2018 National Defense Strategy (NDS) and declassified Trump-era U.S. Strategic Framework for the *Indo-Pacific*[38] reinforced the NSS and the policy shift naming the PRC a "strategic competitor," which laid the foundation for the U.S. to start developing a strategy to compete. But the framework also revealed that the Trump administration recognized that it needed a plan to compete against the PRC economically and declassified the existence of, while still leaving the contents of the strategy classified, a "U.S. Strategic Framework for Countering China's Economic Aggression."

Addressing the threat from the PRC has become a bipartisan issue. What started under the Trump administration has largely continued under the Biden administration, with its 2022 NSS, which claimed that China has the "intention, and increasingly the capacity, to reshape the international order in favor of one that tilts the global playing field to its benefit," and remains America's most "consequential geopolitical challenge."[39] Despite two consecutive administrations maintaining the same overarching policy toward the PRC, deficiencies in developing a coherent strategy still exist.

The shift in American sentiment toward the PRC stemmed from a growing realization that the CCP had long been actively and intentionally undermining U.S. economic interests—making the economy ground zero for competition. Both the Trump and Biden administrations, including Congress, have made countering the PRC in the economic arena the priority to ensure that the U.S. maintains a decisive economic, technological, and military advantage.

Advancing America's economic interests by counting the PRC's unfair trade practices was an early priority for the Trump administration. In 2018, the Trump administration took its first major action by imposing Section 301 tariffs on $50 billion worth of Chinese goods that had benefited from the theft of U.S. intellectual property and unfair industrial practices, as well as imposing Section 232 tariffs on steel and aluminum imports to combat the PRC's "dumping" of products in the United States. In 2019, tariffs collected on Chinese goods reached a high of $370 billion across several sectors.

The Trump administration also sought to level the trade and economic playing field by negotiating a new trade deal, a process that resulted in the U.S.–China Economic and Trade Agreement in 2020. What became known as the Phase One trade deal attempted to both level the playing field by reforming the PRC's trade regime and reduce the trade deficit by requiring the PRC to make additional purchases of at least $200 billion in U.S. goods in a two-year period. Beijing failed to honor this agreement. The Phase One trade deal did, however, allow the U.S. to unilaterally seek remedies if the PRC was not living up to the agreement—remedies that the U.S. has yet to seek.

The Biden administration has sustained the momentum. In addition to maintaining over $300 billion worth of Section 301 tariffs on Chinese goods, the Biden administration has expanded U.S. Section 301 and 232 tariffs on steel and aluminum imports amid continued dumping from the PRC. In addition, the Biden administration has put in place substantial U.S. tariffs on Chinese goods to include EVs, semiconductors, batteries and battery components, solar cells, ship-to-shore cranes, and certain medical products.[40]

Maintaining America's technological advantage over the PRC also came into focus during both the Trump and Biden administrations. The Trump administration's efforts to reform the U.S. inbound investment screening process in 2018 with the Foreign Investment Risk Review Modernization Act (FIRRMA) was a significant move to expand the ability of the Treasury Department's Committee on Foreign Investment in the United States (CFIUS) to vet incoming transactions for potential threats to U.S. national security.[41] The 2018 Executive Order on Securing the Information and Communications Technology and Services (ICTS) supply chain and the 2018 Export Controls Reform Act (ECRA) also gave Commerce the ability to target malicious PRC technology and expand its ability to control dual-use exports that could support the PRC's military-industrial complex.

The Biden administration's "small yard, high fence" policy limits the PRC's access to technologies, including AI and quantum computing, that will be vital to the future of the global economy and to the battlefield. The Biden administration's October 2022 and 2023 actions to restrict the PRC access to high-end semiconductors and equipment that could enable the PRC's development of AI platforms placed semiconductors at the center of U.S. competition with the PRC. Similarly, President Biden's August 2023 Executive Order on "Addressing United States Investment in Certain National Security Technologies and Products in Countries of Concern" has set the foundation, if resourced and implemented appropriately, for what could be stronger U.S. investment restrictions to deny the PRC the capital needed to develop an advanced technological ecosystem.

Protecting American data has been identified by both the Trump and Biden administrations as a key priority. The Trump administration sought to address this issue: Huawei, the PRC's leading telecommunications company, was added in 2019 to Commerce's Entity List; and in 2020, Huawei was indicted under the Racketeer Influenced and Corrupt Organizations Act (RICO) for trade espionage. The Biden administration once again built on the Trump administration's efforts, as when in 2022 it banned the sale and import of equipment made by both Huawei and ZTE in the U.S., in addition to banning TikTok from federal government devices. Congress's August 2024 move to pass legislation that enables the president to ban TikTok in the U.S. if the parent company, ByteDance, does not divest is another major step taken to protect American data.

But just restricting the PRC's access to U.S. technology, investment options in the U.S., or ability to leverage American capital is not enough to secure long-term U.S. economic interests. Investment is also required to bolster the U.S. domestic production capacity. In this regard, the Biden administration has made substantial investment in the U.S. through the CHIPS Act, Inflation Reduction Act (IRA), and Defense Production Act to bolster U.S. production of key economic inputs. These efforts are only the first tranche in what will ultimately be required for the U.S. to strategically decouple from the PRC.

The United States needs a strong network of allies and partners to build new global economic supply chains and apply economic pressure to the PRC. The Trump administration, unfortunately, made little progress on this front. The Biden administration has made more headway, but it had help: geopolitical events, such as the COVID-19 pandemic and Russia's invasion of Ukraine, have awakened nations to the risk of economic dependencies on authoritarian nations.

In terms of leveraging and building economic networks, the United States has seen the greatest progress in cooperation with Japan and the Netherlands on export controls to deny the PRC advanced AI semiconductors. The Biden administration has also been able to generate support from other key nations, including those in the EU, as well as Mexico and Canada, coordinating policies on the PRC's dumping practices in steel, solar technologies, and EVs. There is also progress on "friend-shoring" and de-risking U.S. critical minerals supply chains through agreements such as the 2023 U.S.–Japan Critical Minerals Agreement.

More importantly, strategic decoupling from the PRC will involve significant costs—for government coffers, for American businesses, and for U.S. citizens. The executive branch and Congress must work together to successfully effectuate decoupling and to reassure the American people that the resulting sacrifices are necessary to deny a repressive CCP regime the ability to strip Americans of their long-held freedom and security.

Policymakers in the U.S. must recognize that America can be successful only if its own economic house is in order. Federal fiscal resilience will enable the United States to absorb the economic hardship that will inevitably come with economic competition with the PRC, in addition to safeguarding the population for this new cold war.

A Running Start

When the presidential transition takes place in January 2025, the president will inherit a bureaucracy comprising more than 2 million civilians, 15 executive departments, and a host of executive agencies. The president will also have the authority to appoint the heads of more than 50 independent federal commissions.[42] The task before the president will be to provide that bureaucracy with the leadership, direction, and resources necessary to fulfill the president's policy objectives.

The actions that the president will take early in their term will be crucial in setting the tone and direction that the United States will take to respond to the economic threat from the PRC. The actions already taken by both the Trump and Biden administrations provide a baseline for the president to develop and implement a new strategy that takes a significant step in securing America's interests in its competition with the CCP.

Reorienting the American bureaucracy to a cold-war footing with the PRC requires deliberate, explicit direction from the president to the executive branch. To that end, a new administration must start deploying a strategy that both rebuilds the bureaucratic muscle memory lost following the fall of the Soviet Union and establishes new bureaucratic policies that look beyond the Cold War playbook.

To achieve this, the president must have a clear vision of the desired goals and end state for U.S. strategic competition with the PRC, as this vision will inform all subsequent actions. Recommended U.S. goals for competition with the PRC:

1 The U.S. global interests and the American way of life are secured, while the CCP fails to achieve its malign economic, military, and political objectives.

2 The CCP's domestic and international credibility, along with its ability to exert malign influence, has been drastically reduced and systematically curtailed.

3 The U.S. succeeded in deterrence and denied the CCP the economic self-reliance that would insulate it and enable it to advance its security interests and activities globally.

4 The CCP's appetite for aggression globally, particularly along its geographic periphery, was deterred for the foreseeable future.

5 The U.S. and its network of allies successfully defended the free world from the global assault launched by the CCP and its network of malign authoritarian and non-state partners.

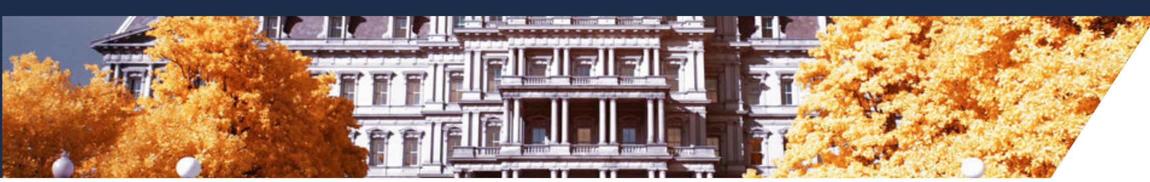
For the president to execute such a vision, the China Economic & Strategy Initiative (CESI) recommends that the president set the tone by implementing seven presidential actions to address the economic threat from China:

ADDRESS THE THREAT

ACTION 1	Build an NSC to Lead and Win
ACTION 2	Deploy a Winning Economic Strategy
ACTION 3	Assemble a Team and Develop a Budget
ACTION 4	Safeguard America and Take Targeted Economic Action
ACTION 5	Forge New Global Coalitions and Reassert U.S. Leadership
ACTION 6	Build Support in Congress
ACTION 7	Develop a Communications Strategy

The president will have no time to waste in addressing the economic threat from the PRC and setting their administration on a path to success. Implementing these seven steps, many of which must occur simultaneously, will ensure that the PRC remains a priority for the president and that a bureaucratic ecosystem will execute the president's guidance on PRC policy.

ACTION 1
Build an NSC to Lead and Win



Action 1: Build an NSC to Lead and Win

Few actions will be more important for the president at the start of their administration than building a team at the National Security Council (NSC) to coordinate economic competition and establishing an NSC decision-making process to facilitate execution of the president's economic strategy to beat the PRC. This must happen immediately.

The purpose of the NSC, as codified in the National Security Act of 1947, is to "advise the president with respect to the integration of domestic, foreign, and military policies relating to national security so as to enable the military services and other departments and agencies of the Government to cooperate more effectively in matters involving the national security."[43] This is exactly the role that the president needs their NSC team to play to develop and execute an economic strategy to beat the PRC.

The scale and scope of the economic threat from China will require the U.S. to implement a strategy that demands action from numerous departments and agencies within the U.S. bureaucracy. Successful coordination across organizations such as the Department of Defense (DoD), Department of Treasury, Department of Commerce, Department of State, and the United States Trade Representative (USTR) will require strong NSC leadership to ensure that the bureaucracy stays focused on the mission and objectives that the president provides.

To accomplish this, the president should install a Strategic Competition Coordinator (SCC), who will also hold the position of a Deputy National Security Advisor, within the NSC to lead a team whose sole focus is to execute the president's policy for strategic economic competition with China. The SCC position should be equivalent to that of a Deputy National Security Advisor within the NSC structure, so that the SCC can coordinate policy at the highest level of the government and drive action throughout the bureaucracy.

The SCC would be responsible for working with the appropriate department and agencies to coordinate the president's domestic and international economic policy priorities as they pertain to U.S. economic competition with China. Such execution could include identifying sectors where the U.S. must strategically decouple from the PRC; securing supply chains; protecting critical U.S. research, technology, and IP; accelerating efforts to rebuild key elements of America's industrial base; and pursuing strategic economic agreements with foreign partners. The SCC would also be responsible for overseeing the development and execution of all offensive economic activities that target the PRC.

To help the SCC execute the president's economic strategy, the SCC should lead a team of six directors to coordinate within the NSC and throughout the executive branch. Each director will play a leading role in driving the NSC's economic strategy for the PRC and be responsible for conveying the president's intent, defining objectives, ensuring that the departments and agencies have the capability and means that they need to execute the objectives, and seeing the objectives through to completion. The six directorships under the SCC that are necessary to guide a comprehensive economic strategy across the executive branch adequately are:

- **Industrial and Supply-Chain Integrity**: The Director for Industrial and Supply-Chain Integrity would work closely with the DoD, Commerce, and other organizations, as needed, to identify industry and supply-chain shortfalls that jeopardize America's economic and national security interests and develop sector-specific strategies so that the U.S. possesses an industrial and supply-chain capacity that is once again an active factor in American deterrence.

- **Economic Espionage and Crimes:** The Director for Economic Espionage and Crimes would work closely with the Intelligence Community (IC), Department of State (DoS), Department of Justice (DoJ), Treasury

Commerce, and other organizations, as needed, to hold the PRC accountable for its rampant theft of U.S. intellectual property, abuse of financial markets, and proliferation of criminal activity in the U.S.

- **Critical and Emerging Technologies:** The Director for Critical and Emerging Technologies would work closely with the DoD, IC, Commerce, Treasury, and other organizations, as needed, to identify which new technologies the U.S. must prioritize to maintain an economic and military advantage, while ensuring that the U.S. is not materially providing or funding the PRC's acquisitions of these technologies.

- **Global Economic Policy:** The Director for Global Economic Policy would work with the DoS, USTR, the United States Trade and Development Agency (USTDA), the International Development Finance Corporation (DFC), and other organizations, as needed, to deploy a global economic and development strategy that forges new global coalitions that are free from authoritarian influence, support U.S. security interests, and seek to uphold a global system that is free and fair.

- **Strategic Trade:** The Director for Strategic Trade will work closely with the DoS and USTR to evaluate the U.S.–PRC bilateral trade relationship and identify and counter unfair trade practices by the PRC. In addition, the Director for Strategic Trade will work closely with the Director for Industrial and Supply-Chain Integrity and Director for Global Economic Policy to build new global economic power centers via new Strategic Trade Agreements.

- **Economic Strategy and Plans**: The Director for Economic Strategy and Plans will work with the IC, DoD, DoS, Treasury, Commerce, and other organizations, as needed, to develop organizing and engagement strategies, as well as economic war plans that prepare the U.S. economy for economic warfare and develop contingencies for escalating economic aggression from the PRC.

The president's economic strategy, however, will only be successful if it is funded. To ensure this, the president should establish a Director for National Security within the Office of Management and Budget (OMB) that is a direct report to the National Security Advisor. The role of the Director for National Security at OMB would be to provide a direct link between the NSC and OMB to ensure that U.S. national security priorities are reflected in the budgeting process. Funding will be mandatory across the economic landscape for the U.S. to achieve victory, and establishing a Director for National Security at OMB would play an important role in that process.

PROPOSED NATIONAL SECURITY COUNCIL STRUCTURE

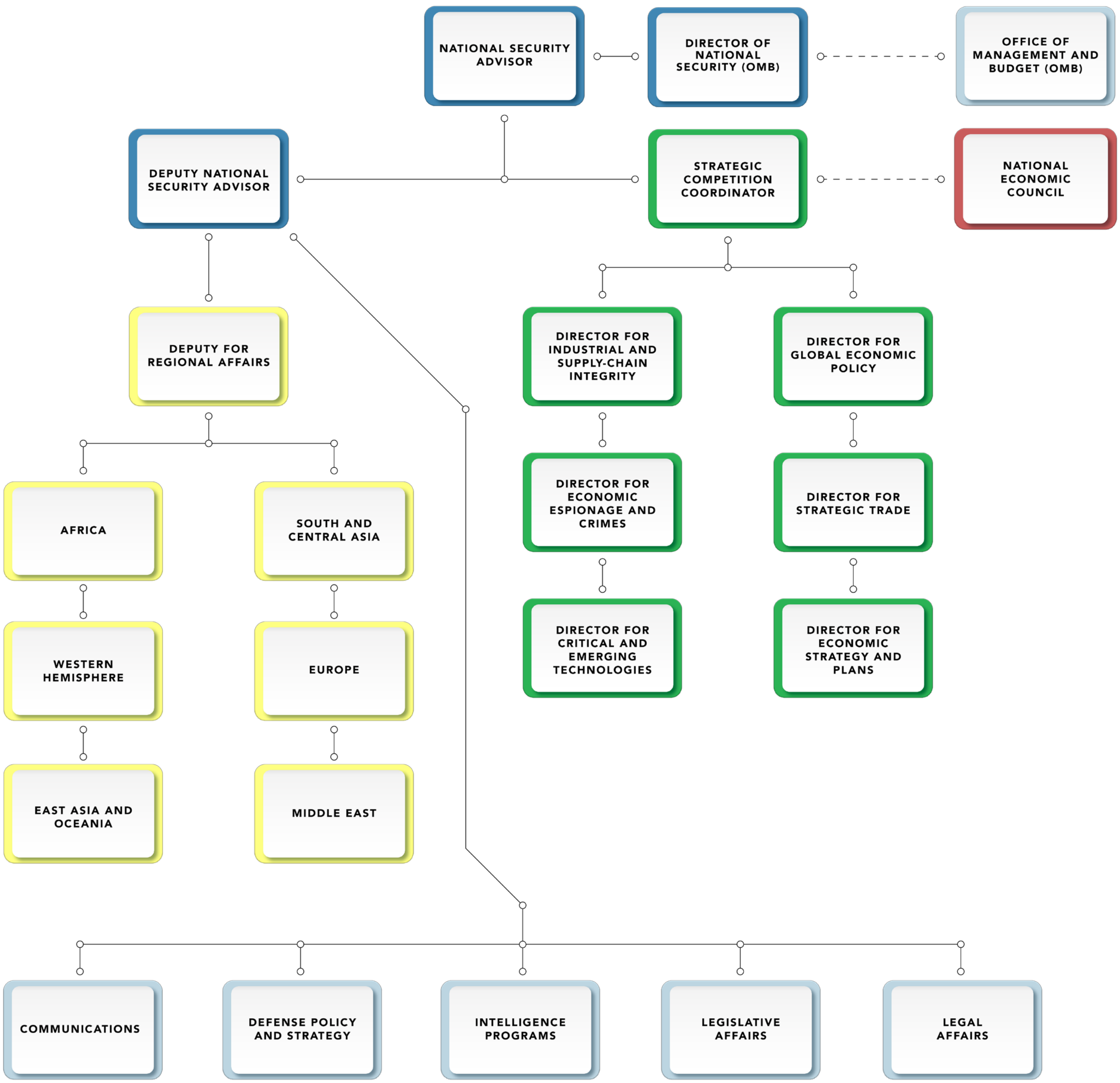


Figure 1: Proposed National Security Council Structure

Equally important to building an NSC structure is a decision-making process that empowers the president's NSC, especially the Strategic Competition Coordinator (SCC), to coordinate the executive branch effectively and execute the mission. To do this, the president should release guidance quickly through a National Security Presidential Directive (NSPD), in order to establish how the NSC should drive policy throughout the executive branch.

After taking office on January 20, 2001, former President George W. Bush released his NSPD-1 less than 30 days into his administration[44] —before his cabinet secretaries and members of the NSC were even in place. By doing so, Bush took ownership of his NSC, set expectations for coordination, and defined his policy priorities and where he wanted his team to spend their time via specific working groups.

The president should take a page from President Bush's playbook and introduce a new version of an NSPD-1 as early in the term as possible. As with previous administrations, the president's NSPD-1 must enumerate how NSC meetings will function, required participation, and the policy issues that the president is requiring executive-branch coordination to address. The president should use a new NSPD-1 to generate momentum in addressing the threat from the PRC by creating several working groups that focus on economically beating the PRC. Specific working groups that we recommend the president establish to reinforce an economic strategy for the PRC include:

- Economic Enforcement, Targeted Decoupling, and Priority Industrial Investment
- Economic Strategy and Plans
- Strategic Trade and Supply-Chain Resilience
- Cyber and Data Protection

Both the National Security Advisor and the SCC should select the organizations that will chair each of these working groups. Representation for each working group should be at the undersecretary or assistant secretary rank to ensure that decisions are made at a level that can then drive progress at the respective home department and agencies.

ACTION 2
Deploy a Winning Economic Strategy

Action 2: Deploy a Winning Economic Strategy

The president must lead America through its cold war with the PRC by directing a strategy to achieve America's desired end states. Absent such leadership, the U.S. approach will remain fragmented, contradictory, and unfocused—providing the PRC a decisive advantage.

The PRC, in stark contrast to the U.S., has been approaching the economic and geopolitical landscape with a cold-war mentality for decades, with Xi Jinping now in firm control. At the CCP's 20th National Congress in 2022, President Xi laid out his strategy to direct all instruments of the PRC's national power to wage a "protracted struggle"[45] —i.e., a cold war—against the U.S.

The next president should study how President Ronald Reagan directed U.S. policy to beat the Soviet Union. Reagan issued a series of National Security Decision Directives (NSDDs) that provided clear and actionable guidance to his administration on how he wanted to compete against the Soviets. The intent to win permeated Reagan-era documents—for example, NSDD 32, titled the "U.S. National Security Strategy,"[46] positioned all foreign policy and national security activities in the context of the U.S.–Soviet rivalry.

The Reagan administration also released NSDD 75, titled "U.S. Relations with the USSR,"[47] which laid out a clear strategy for how the U.S. would engage in comprehensive statecraft to compete with and counter Soviet influence across the political, economic, and military domains.

The president must now seize upon this momentum and set a new tone for the U.S. in this cold war with the PRC by issuing a new NSDD for "U.S. Economic Competition with the PRC." Just as Reagan's NSDD 75 provided a comprehensive strategic approach across the military, economic, and diplomatic arena, the PRC's direct threat to the American economy and global markets demands a dedicated strategy from the president that issues clear policy guidance. We recommend that guidance focuses on three lines of effort: protecting the American economy; degrading the PRC's ability to compete economically; and building new global economic power centers.

To accomplish these objectives, the president's first action should be to define the guiding tenets that underpin the strategy and will drive U.S. action. In line with the previously recommended end states, CESI believes that the core tenets of U.S. economic strategy and policy should be:

1. The U.S. fully recognizes that the global economy is ground zero for its cold war with the PRC and that decisive actions that undermine, degrade, and diminish the CCP's political, economic, military, and geopolitical position are necessary to win.

2. The U.S. acknowledges that economic ties in critical sectors with the PRC are a liability to the American economy and U.S. national security—and that substantial action is required to free the U.S. from the PRC's economic predation.

3. The CCP is a hostile actor that is determined to use any means necessary to retain its domestic power, erode U.S. global power and influence, and establish a new world order more deferential to PRC interests.

4. The CCP must be held accountable for its intentional sabotage of America's economy, in addition to its criminal and unregulated economic activities, to the fullest extent under U.S. law.

5. The U.S. accepts that the global economic system is compromised and that a new economic framework, founded with like-minded partners and based on fair competition, is required to safeguard shared economic interests and national security.

These tenets should be the driving force for all U.S. efforts to secure the American economy and compete with the PRC directly in the economic arena. Upon the president issuing this guidance, the heads of each department and agency must diffuse these tenets throughout the strategies for their organizations to achieve a whole-of-nation approach that protects America's economy and economically beats the PRC.

Securing the American Economy

Securing America's economy must be the president's number one priority, as it is the foundation for domestic prosperity, military strength, and U.S. global influence. To secure America's economy, the president must redefine the U.S. economic relationship with the PRC, as decades of aggressive economic engagement have undermined the American economy and impermissibly strengthened the PRC and its military.

The president's strategy must be deliberate and aggressive in implementing policies to reduce U.S. economic exposure to the PRC and must deny the PRC the benefits of economic engagements with the United States. To this end, the president should pursue the following economic objectives:

- Redefine the U.S.–PRC trade relationship to safeguard the American economy by identifying permissible areas of trade, and do not reward the PRC any longer for its predatory economic behavior.
- Reduce U.S. exposure to the PRC and develop secure supply chains by strategically decoupling from the PRC in sectors that are vital to America's economic and security interests.
- Remove the PRC's ability to acquire critical U.S. equipment, technology, and information that could give the PRC a future economic advantage, jeopardize America's security, or contribute to the modernization of the PLA.
- Deny the PRC the financial and technological resources required to modernize its military, strengthen its economic advantage, and secure advantage in next-generation technologies.
- Deter the PRC from continuing to conduct malign economic activities against the U.S., both domestically and abroad, that are free from consequences.

To safeguard the American economy, the president should direct the bureaucracy to review the U.S.–PRC bilateral trade relationship, pursue strategic decoupling, and revitalize key segments of American industry.

Review of the U.S.–China Bilateral Trade Relationship: The president must lead the charge to fundamentally alter the U.S. trade relationship with the PRC, which no longer serves America's best interests. Going forward, the relationship must be reoriented in America's favor by identifying which sectors of trade should be permissible. Despite attempts to do so through tariffs and the Phase One trade deal—which the PRC has not honored—the foundational underpinnings of the trade relationship remain untouched.

The president's strategy should direct their administration to review, renegotiate, enforce, and, if needed, revoke all the agreements and policies that underpin the entirety of the U.S.–PRC bilateral trading relationship. Specific agreements and policies that we recommend the U.S. should review:

- **2020 Phase One Trade Deal**[48] —to assess whether the PRC has honored its commitment to uphold fair and equal trade and exchanges of intellectual property, agriculture, and finances, as well as commit to reforms over antidumping and subsidy regulations.

- **2000 Permanent Normal Trade Relations (PNTR) Status for the PRC[49]** —to determine whether the PRC, based upon its track record of trade with the U.S., should retain its PNTR status and favorable trade conditions with the U.S.

- **U.S. Trade Act of 1974[50]** —to evaluate the U.S. tariff regime and what actions the U.S. can take to hold the PRC accountable for its market disruptions affecting trade and national security interests, and whether the PRC should receive "nondiscriminatory treatment" under this law if its PNTR status is suspended.

Although the U.S. is a victim of the PRC's predatory economic practices, U.S. policies and the illusive hope that the PRC would become a rule-abiding nation have only prolonged the pain. This hope or "muscle memory" of how to manage the U.S.–PRC bilateral relationship, however, still exists within the bureaucracy and must be excised if the U.S. is to safeguard its economy from the PRC.

Despite the dangers of robust trade with the PRC, the U.S. does hold significant leverage in the bilateral trade relationship, which could be used to shape CCP decision-making and serve as a deterrent and means to inflict real costs during a conflict. The U.S. must look for opportunities to cultivate PRC dependence on the U.S. in key sectors that could be used as economic choke points, even as the CCP insists upon its goal of economic independence. A new administration must form a strategy for how to build this dependence and determine when and how the dependence should be employed.

Strategic Decoupling: Given the risks posed to the U.S. by excessive economic entanglement with the PRC, the president must lead a strategic decoupling campaign in sectors deemed vital to U.S. national security. The CCP's actions—particularly during the COVID-19 pandemic—have made clear that the PRC's role in the global economy is a liability and threat to the American homeland. Additionally, the U.S. can no longer afford to subsidize the PRC's economy by providing easy opportunities for the theft of American IP to gain market share, or access to technology and equipment that can be used in the modernization of the PRC's military.

To this end, the president must provide direction to the executive branch to start developing and executing a strategy to strategically decouple from the PRC. This strategy must identify:

- Sectors where U.S. exposure to the PRC presents unacceptable economic risk to the U.S. economy, compromises American military or technological preeminence, jeopardizes the health and well-being of American citizens, degrades the U.S. ability to defend its interests, or exposes the U.S. to economic or political coercion from the CCP.

- Sectors where the U.S., through economic engagement, is helping the PRC to achieve self-reliance, gain market dominance in sectors vital to the U.S. economy, modernize the PLA, or gain the advantage in next-generation technologies.

- On-shoring, near-shoring, or friend-shoring opportunities to develop industrial capacity and supply chains that are resilient and secure from PRC influence.

- Timelines commensurate with the urgency to strategically decouple in the sectors that have been identified as vital to U.S. national security interests.

The U.S. cannot delay in its efforts to strategically decouple from the PRC. Postponing this strategy and its implementation will only harm U.S. interests. Nonetheless, strategic decoupling will be difficult. It will require policies and significant federal funding to support the sectors and the American consumers that are affected to offset the cost as much as possible. Ensuring the support's presence will be vital in gaining the support of the American people and ensuring that the private sector can take the necessary steps for the U.S. to achieve its economic independence from the PRC.

Revitalizing American Industry: America cannot win an economic competition against the PRC without a strong industrial base. Decades of PRC efforts to hollow out America's industrial base have left the U.S. vulnerable to economic dependence on the PRC and have also degraded America's industrial capacity to deter—and, if necessary, fight—a conflict. The president must lead a strategy to revitalize America's industrial base. A new administration should issue clear guidance to the departments and agencies central to strategic decoupling that building America's industrial capacity must be central to any decoupling strategy.

Efforts to revitalize America's industrial base should focus on the sectors that the president's team identifies as priorities to strategically decouple from the PRC. Particular focus should go toward building the industrial capacity that the U.S. needs to expand its military capacity and secure its defense supply chains. The president should also stress the importance of increasing America's industrial capacity in new and emerging sectors that have not always fallen under the traditional umbrella of critical industry, such as technologies vital to U.S. economic growth, inputs to America's health-care system, and the extraction and processing of critical minerals.

Recognizing that the private sector is the engine that drives U.S. industry forward, the president must direct the executive branch to partner with American industry to identify where capability gaps in America's industrial base exist, develop strategies to eliminate current industrial shortfalls and build advantage, and determine requisite funding requirements.

Degrade the PRC's Ability to Compete Economically

The U.S. must be preparing to defend against economic leverage and retain the ability to scale up economic actions against the PRC. The president's strategy must direct the executive branch to develop courses of action that both harness America's legal authority to constrain the CCP to abide by the norms and rules of the international system and build a new economic strategy to impose economic cost on the PRC and deny its ability to pursue malign objectives.

Deploying America's Legal Arsenal: The president's strategy should fully utilize the legal authority to hold PRC actors—particularly the CCP—accountable for its role in unlawful activities in the United States. These aims are achievable through a wide range of legal instruments that the executive branch already possesses, including criminal statutes, tariffs, export controls, and sanctions. These legal tools should be used to the fullest extent possible to hold the PRC and its affiliates accountable. To this effect, our recommended U.S. objectives are:

- Hold the CCP accountable for its criminal activity in the U.S., including, but not limited to, its theft of U.S. intellectual property, espionage, and facilitation of the fentanyl epidemic in the U.S.
- Remove and punish PRC entities that are operating in the U.S. and actively undermining America's economic and security interests.
- Degrade the PRC's ability to operate outside international law by partnering with allies and partners.
- Deny the PRC's military any advantage and deter malign actions that put U.S. interests at risk.

To execute the objectives, the president should direct the executive branch to pursue three distinct lines of effort.

First, the president's strategy should direct relevant executive-branch entities to review all statutes useful for investigating and prosecuting PRC persons that have committed criminal acts that harmed the U.S. and

American citizens. Where possible, the U.S. should target the PRC's unlawful activities, including money laundering, drug-related offenses, intellectual property theft, theft of state secrets, and economic espionage.

Second, the president should begin to apply the sanction, export control, and tariff authorities that are available, including those identified in the CESI "Authorities Matrix" (see Appendix 3) that could be used to impose economic costs on the PRC. The president's strategy should prioritize using these economic policy tools in concert with one another to hold the PRC and its state-sponsored companies accountable for their unfair economic practices in the United States. In addition, these authorities, especially sanctions, should be used to punish the CCP for its systemic complicity in PRC-sponsored criminal activity.

Third, the president's strategy must focus on stopping the U.S. from financially supporting the PRC's military modernization by providing access to U.S. capital, financial markets, and places of commerce in the United States. The PRC's access to U.S. capital, such as via equity markets, and to innovative capacity via the purchase of U.S. companies, must be denied. Financing the PRC is paying for America's own demise. To do this, the president's strategy should provide guidance that directs the pursuit of policies that would:

- Ban U.S. investment in specific sectors by the PRC that the U.S. government identifies as a threat to U.S. economic and national security interests.
- Stop the PRC from investing in U.S. companies that offer technology or equipment that could be used to give the PRC strategic advantage.
- Remove all PRC companies and PRC subsidiaries affiliated with the PLA, or any other PRC entity identified as a threat to U.S. national security, from all U.S. stock exchanges.
- Deny the PRC the ability to purchase property in the U.S. that enables its degradation of the American economy and U.S. national security.

Preparing for Economic Warfare: Just as the DoD has war plans for military contingencies, the U.S. must also have economic war plans for steady-state competition, escalatory environments, and pre- and active-conflict scenarios. The economic arena is where the U.S. stands the greatest chance to deter the PRC and avoid a large-scale military confrontation, but only if the U.S. begins developing and deploying a president-directed strategy out of the gate.

The strength of U.S.–PRC economic ties, although a vulnerability, presents the U.S. with substantial leverage over the PRC. An economic war plan should not be limited to traditional economic targets but should be wide-ranging in scope, having an impact on the CCP's leadership, financial institutions, and supply chains, as well as the PLA's military-industrial base. To this effect, we recommend that the president direct the executive branch to develop offensive economic options to:

- Undermine the CCP's legitimacy within the party's ranks, among the Chinese people, and within the international community.
- Exacerbate the PRC's economic challenges through targeted external pressure to apply stress to the CCP and the PLA.
- Sabotage the PLA's modernization efforts to bolster deterrence, sow military planning uncertainty, and induce operational failure in conflict.
- Deny the PRC geoeconomic leverage and military supremacy by degrading the economic, diplomatic, and political network that the CCP needs to achieve its goals.

The president should direct organizations that typically lead on economic warfare (such as the DoS, Treasury, and Commerce), as well as DoD military planners to coordinate on this effort. In doing so, the full suite of U.S. economic and military capabilities could be factored into an economic strategy to impose economic costs on the PRC, ensuring that the U.S. is prepared for the full spectrum of economic warfare.

Economic capacity and the ability to wage a kinetic war are inextricably linked. The president's strategy must acknowledge the vital role that economics plays in deterring the PRC, degrading its war potential, and providing the U.S. military with a decisive advantage in an armed conflict. That is why DoD military planners should be directed to partner with economic war planners: together, the planners can identify economic targets in the PRC that are appropriate across all phases of conflict.

Building Global Economic Power Centers

The president must prepare their administration to engage in a fight for global economic dominance with a PRC intent on building geoeconomic leverage to achieve its political and security goals. As the world's largest economy, the U.S. is in a unique position to deploy a global economic strategy to compete against the PRC that increases American prosperity and security by bringing new partners into the fold by creating new global economic power centers—partnerships with like-minded nations that are enabled by new economic agreements and frameworks—while simultaneously undermining the PRC's global economic reach. To achieve this, we recommend that the global component of the president's economic strategy rests on three principles:

- **Prevent**—The U.S. must actively seek to prevent the further spread of PRC malign economic influence in regions that are strategically important to the U.S. or that add to the PRC's global economic might.

- **Prioritize**—The U.S. must prioritize its efforts, focusing its time, effort, and resources on nations that provide the greatest opportunity to further U.S. interests.

- **Partner**—The U.S. must seek new Strategic Trade Agreements that benefit the American economy and decrease partners' vulnerability to Chinese predation and coercion. New global economic power centers should also be established with like-minded nations to undermine PRC influence globally.

The core objective for the U.S. global economic strategy should be to secure the American economy by working with allies and partners to collectively reduce shared vulnerabilities to the PRC. By making the American economy more secure, the U.S. will naturally create a new economic ecosystem that will benefit all participating ally and partner nations.

Trade and investment must be a centerpiece of the president's global economic strategy. Access to America's market and capital is a powerful foreign-policy tool that the U.S. must exploit to the fullest. The U.S. must once again seek out opportunities to establish bilateral and multilateral Strategic Trade Agreements with nations that would benefit the American economy and assist the U.S. in strategically decoupling from the PRC. Trade agreements should be leveraged to achieve noneconomic objectives, such as gaining valuable military access and basing agreements, or for the sole purpose of denying the PRC a strategic partner. Strategic Trade Agreements should be considered where the U.S. has common interests with nations in sectors that are vital to our shared economic and security interests.

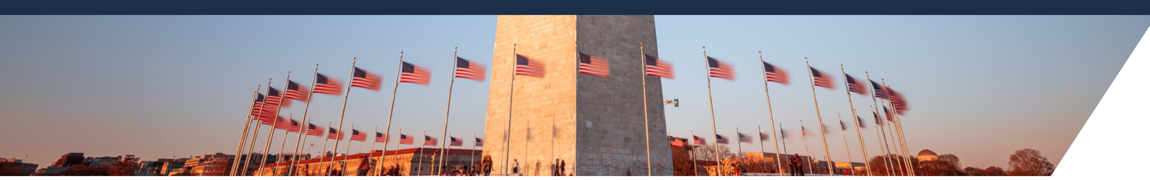
The PRC has infiltrated and weakened the multilateral economic institutions that were once a key tool for the U.S. to shape the global economic order. A careful review of U.S. participation in these institutions, such as the World Trade Organization (WTO), should be conducted to determine how continued U.S. engagement s If possible, the U.S. should seek to root out PRC corruptive influence to reestablish multilateral institutions as a platform for advancing economic policies conducive to a free and fair global system.

The emergence of a new cold war, however, may ultimately render today's institutions obsolete, necessitating new global economic power centers. In this case, the president should provide guidance that prioritizes the development of new global economic power centers that are committed to defending the U.S.-led international order. Such a framework could coordinate export controls and investment flows, establish R&D corridors, align development and financial assistance, and streamline efforts to reach bilateral and multilateral trade agreements (see Action 6 for the importance of Congress to these efforts).

The president's strategy should take a new approach to how it deploys international development and financial assistance to better compete with the PRC. Development assistance is a powerful, but often poorly deployed, policy tool that must be aligned with the broader economic and strategic policy objectives to compete with the PRC. For example, assistance and investment for infrastructure projects should be prioritized, especially in ports and telecommunications networks, to limit the PRC's ability to gain access to critical infrastructure abroad. Assistance should be prioritized for nations demonstrating a strong desire to align with the U.S. and support a free world, as well as nations that present the opportunity for the U.S. to receive a return on its investment.

The president should provide clear guidance on where their administration is spending its time, energy, and resources to optimize global competition against the PRC. Regions such as the Indo-Pacific and Europe should continue to be core focuses for the U.S. to build and retain a united front against the PRC, especially alongside advanced economies such as Japan, South Korea, Australia, the European Union, and the United Kingdom. Countries in South America and Africa, regions where the PRC continues to invest heavily, should garner more U.S. attention for developing economic ties with nations that could help the U.S. transition its supply chains away from the PRC and undermine Beijing's global economic reach.

ACTION 3
Assemble a Team and Develop a Budget



Action 3: Assemble a Team and Develop a Budget

The president's ability to execute a successful economic strategy to beat the PRC will hinge largely on their ability to build a team and secure the resources necessary to achieve the desired policy objectives—making people and resources a top priority.

As with the start of any new administration, the president will need to build their policy team by selecting individuals to fill more than 4,000 political appointee positions across the federal government. Political appointees play important roles, often in leadership positions, as they ensure that their respective departments or agencies execute the president's priorities and policy guidance—and will be responsible for leading the charge on executing the president's economic strategy for the PRC.

Cabinet-level officials such as the Secretary of State, Secretary of Defense, or Secretary of the Treasury often garner the most attention. Their roles as the senior-most officials appointed by the president and the Senate confirmation process force them into the public spotlight and the forefront of the president's personnel decision-making process. But despite the vital role that cabinet-level officials will play in advancing the president's policy objectives for the PRC, it is the lower-level positions throughout the departments and agencies that are central to America's economic battle with the PRC and that demand the president's attention.

The day-to-day execution of the president's economic strategy for the PRC will rest on the shoulders of the political appointees and the teams that they lead throughout the executive branch. The president must take an active role, supported by the SCC, in identifying and selecting the team of policy professionals that will fill roles in the departments and agencies that will be responsible for carrying out the president's policy guidance daily.

While the president should focus on appointing strong undersecretaries and assistant secretaries, both of whom must go through the lengthy Senate confirmation process, the president must also make a point of appointing officials at the deputy assistant secretary and director level that do not require Senate confirmation. By focusing on these roles, the president can create a team quickly in key departments and agencies that can start leading their organizations to execute the president's economic strategy.

The offices and positions that we recommend the president focus on staffing as quickly as possible in order to build a team to beat the PRC are:

- ***Office of East Asian and Pacific Affairs (DoS):*** The Office of East Asian and Pacific Affairs (EAP) at the DoS will play an invaluable role in executing the president's strategy for the PRC across the executive branch. EAP is responsible for managing the U.S. bilateral relationship with the PRC and key regional relationships that the U.S. must leverage to win, placing EAP in a powerful position to shape policy toward the PRC across the DoS, within Treasury and Commerce, and at USTR. The president should pay particular attention to selecting not only the ***Assistant Secretary for EAP*** but also the ***China Coordinator and Deputy Assistant Secretary for EAP.***

- ***Office of Indo-Pacific Security Affairs (DoD):*** The Office of Indo-Pacific Security Affairs (IPSA) is the Pentagon's lead for managing U.S.–PRC security relations, while simultaneously bolstering the U.S. security relationships across the Indo-Pacific region. IPSA's ability to shape policy within the Pentagon, and throughout the executive branch, on policy matters relating to security and the PRC is substantial. IPSA should play a central role in executing presidential guidance to undermine the PRC's military modernization and efforts to gain technological advantages. IPSA should also play a central role in working with military planners to identify how the U.S. can impose economic costs on the PRC throughout all phases of conflict. Specific positions that the president should pay attention to are the ***Assistant Secretary of Defense for IPSA*** and the ***Deputy Assistant Secretary of Defense for China***.

- ***Office of Economic Growth, Energy, and the Environment (DoS):*** The Office of Economic Growth, Energy, and the Environment (E) at the State Department is responsible for developing the policies that advance the U.S. economic development agenda globally. Within the Department of State, E must play a leading role in helping the U.S. identify opportunities abroad not only to strengthen the U.S. economy but also to identify how the U.S. can better compete with the PRC in countries that are vital to American economic and security interests. Specific positions that the president should focus on staffing include the ***Undersecretary for E,*** in addition to the ***Assistant Secretary for the Bureau of Economic and Business Affairs.***

- ***Office of Terrorism and Financial Intelligence (Treasury):*** The Office of Terrorism and Financial Intelligence (TFI) is responsible for gathering financial intelligence, administering sanctions, and addressing financial crimes. The TFI's importance warrants the president's attention as to who will be the ***undersecretary***, but specific offices within TFI also deserve strong political leadership. Specifically, the ***assistant secretary*** positions for the ***Office of Terrorist Financing and Financial Crimes, Office of Foreign Assets Control, and Office of Intelligence and Analysis*** should receive close attention from the White House, given the role that they will play in holding the CCP accountable for its financial crimes against the U.S. and in developing a robust sanctions strategy to impose economic costs on the PRC.

- ***Office of International Affairs (Treasury):*** The Office of International Affairs is responsible for managing the Treasury's equities in international trade and development, bilateral and regional monetary policy, and investment security. In addition to identifying a strong ***undersecretary*** to lead the International Affairs Office, the president should focus on finding an adept ***Assistant Secretary for Investment Security***, who will be vital to the president's economic strategy, given its role in shaping inbound and outbound investment by leading the Committee on Foreign Investment in the United States (CFIUS) and recent efforts by the Biden administration to restrict outbound investment.

- ***Bureau of Industry and Security (Commerce)***: The Bureau of Industry and Security (BIS) is responsible for aligning U.S. national security, foreign policy, and economic objectives by enforcing effective compliance, trade controls, and technological development. BIS will be at the forefront of the president's strategy to decouple from the PRC and efforts to ensure that it is not gaining access to advanced U.S. technologies. The ***Assistant Secretary of Export Administration*** role within BIS will be key, as this individual serves as chair of the Advisory Committee on Export Policy (ACEP)—a committee composed of Commerce, DoD, Department of Energy (DoE), DoS, and the Intelligence Community (IC) that determines which articles may be restricted for export. There will also need to be a strong ***Assistant Secretary for Export Enforcement*** to ensure that export policies are followed and to address any existing loopholes.

- ***International Trade Administration (Commerce):*** The International Trade Administration (ITA) within the Department of Commerce plays a central role in U.S. exports, attracting outbound investment and combating unfair trade practices. In addition, the ITA helps U.S. companies navigate international markets. The ITA will be a core component of the president's strategy to economically compete by identifying the PRC's unfair trade practices and by helping build new global supply chains. The president should focus on appointing a strong ***Undersecretary for ITA***, who can posture the administration and its resources for competition with the PRC.

- ***United States Trade Representative:*** The United States Trade Representative (USTR) is responsible for advancing America's interests abroad through global trade and enforcement actions. The USTR will play an important role in the president's economic strategy by identifying, pursuing, and securing trade agreements that enable the U.S. to strategically decouple from the PRC. The USTR will be a key player in holding Beijing accountable for its unfair trade practices. The president should seek to put in place an ***Assistant U.S. Trade Representative for China, Mongolia, and Taiwan Affairs*** who is willing to hold the PRC accountable for its breach of the 2020 Phase One trade deal and can develop solutions to redefine the U.S.–PRC trade relationship.

- ***Department of Homeland Security (DHS) (Customs and Border Protection):*** U.S. Customs and Border Protection (CBP) is responsible for enforcing the Uyghur Forced Labor Prevention Act (UFLPA). The UFLPA is a powerful import control authority that allows the U.S. government to block the importation of goods implicated in PRC forced labor and place entities implicated in Chinese forced labor on the DHS Entity list. Although UFLPA is heavily deferential to federal enforcement agencies, implementation to date has been uneven primarily because of the difficulty inherent in mapping opaque PRC supply chains. CPB needs vastly more resources to complete this vital task upon which UFLPA's comprehensive implementation depends. CPB must also be led by a ***commissioner*** willing and able to fully implement UFLPA and to recalibrate enforcement priority sectors that better reflect key technologies arenas.

- ***Department of Justice (National Security Division):*** The Department of Justice's National Security Division (DOJ-NSD) plays a critical role in enforcing U.S. national security law, working hand in hand with other law-enforcement agencies and the IC. Led by the ***Assistant Attorney General for National Security***, DOJ-NSD led the Trump administration's China Initiative and would likely play a pivotal role in any new "China Initiative" launched by the department. DOJ-NSD identifies and prosecutes those engaged in intellectual property theft, cybercrime, and economic espionage. It also prosecutes criminal violation of U.S. sanctions and export control laws—placing those who staff and lead DOJ-NSD on the front lines of America's second cold war.

Equally as important to the president building the right team is ensuring that the government has the resources needed to be effective. Shaping the FY2025 and FY2026 budgets is a major priority. Upon coming into office, the new president will inherit the former administration's budget for FY2025 and an FY2026 budget that is already well on its way through the budgetary process. The president's ability to influence the FY2025 budget is slim; but if Congress does not adopt President Biden's final FY2025 budget by the end of 2024, it could allow the new president to request modifications.[51] But given the late hour and the pressure to fund the government, any changes to the FY2025 budget should focus on "must have" funding that does not result in wholesale changes to the budget request.

This makes the FY2026 budget request the first real opportunity for the president to shape resource distribution to reflect the priorities of the president's new strategy and secure those resources needed to compete against the PRC. Upon assuming office, the president will have only a matter of weeks before needing to submit a "top-line" FY2026 budget proposal to Congress before the statutory deadline of February 3, 2025. Although this deadline has been missed in previous transition years, the president should move quickly to identify and shape the elements of the proposed FY2026 budget to align resources with the policy objectives identified regarding the PRC.[52]

The president does have flexibility in how this top-line budget can be submitted to Congress. In line with previous presidents, the president need not submit a top-line budget that provides a line-by-line request for specific programs. Instead, the president should use this document to outline their policy priorities and top-line funding requests that will support the mission. Specific top-line items that we recommend the president ensure are in the FY2026 top-line budget submission to Congress and include funding for:

- Reinvigorating America's industrial base so that the U.S. can decouple from the PRC in sectors and emerging technologies that are deemed critical to U.S. economic and security interests.

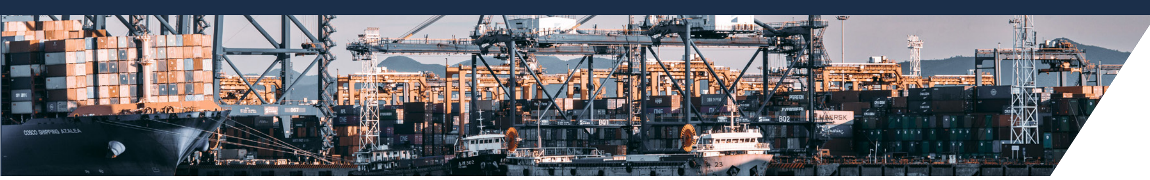
- Securing American investments, domestically and abroad, from fueling the CCP and its military by ensuring that CFIUS has the funding necessary to deny access to sensitive U.S. assets and technology.

- Countering PRC influence globally, especially in the economic arena, through the Countering Chinese Influence Fund.

The president's top-line budget will need to be followed by providing Congress with a detailed budget request for all the programs for each respective department and agency in roughly the May time frame. The president's full budget request, however, will be driven by the policy focus that is identified and already socialized with Congress, making the initial top-line submission a critical point in the president's initial months in office.

ACTION 4

Safeguard America & Take Targeted Economic Action



Action 4: Safeguard America and Take Targeted Economic Action

The start of any new administration is a pivotal point in U.S.–PRC relations, as Beijing will look to take advantage of the transition of power to "reset" the relationship with false offers of diplomacy or economic cooperation. The president must not fall for this. Instead, the old adage "actions speak louder than words" should be a guiding principle for the president's initial days in office, which should be defined by quick actions that set a new tone on how the president plans to secure the American economy, hold the CCP accountable, and prepare the U.S. for economic warfare.

Fortunately, the president has momentum. The shift in U.S. policy toward the PRC that took place in 2017 under the Trump administration transcended party lines and has been carried forward by President Biden both in policy and actions. This president is inheriting a bureaucracy that is far more poised to compete against the PRC than was the case under previous administrations. Currently, there are tariffs on PRC steel, aluminum,[53] and EVs,[54] export restrictions on advanced chips and semiconductor manufacturing equipment,[55] and efforts under way to build America's domestic capacity to produce semiconductor[56] and clean energy technologies.[57]

Despite this momentum, the U.S. is still far from matching Beijing's level and intensity of economic competition. Instead of narrow and sporadic policy decisions, the president will need to take decisive action early on to establish a new "battle rhythm" for how the U.S. is going to compete against the PRC economically and officially put America on a cold-war footing.

The speed at which the president will need to take economic action may, in some cases, receive pushback from a cautious bureaucracy that is exclusively concerned with destabilizing U.S.–PRC relations or causing economic issues. Although the risk of escalation is present, this should not deter the president because insufficient action from the U.S. will only ensure the further destabilization of America by the PRC. Anticipating the bureaucratic resistance should reinforce the need for the president to build a team that possesses the competitive mind-set needed so that quick action can be taken to secure the American economy, hold the CCP accountable, and prepare America for economic warfare

Securing the American Economy and Capital

Despite the White House's ongoing efforts to "de-risk" from the PRC, trade and financial ties between the U.S. and PRC remain robust. America's current economic ties with the PRC, however, have become economic and national security liabilities to the U.S.; the threat of further engagement far outweighs the value of this depth of economic engagement. The president will need to move quickly to secure America's economy by initiating efforts to strategically decouple from the PRC and by ensuring that U.S. capital is not funding the rise of America's greatest threat.

Strategic Decoupling and Securing America's Supply Chains

The complete decoupling of the American economy from the PRC is not politically or economically feasible, or even desirable—but strategic decoupling is. Decades of U.S. companies outsourcing manufacturing to the PRC, as well as Beijing's concerted efforts to control global economic choke points, have resulted in the PRC possessing substantial geoeconomic leverage. To secure the American economy, we recommend that the president take action to expand U.S. current de-risking efforts by focusing on strategically decoupling from the PRC via domestic and coordinated international efforts (see Action 5 for specifics on how the U.S. must utilize "friend-shoring" broadly) in critical minerals, biopharmaceuticals, and semiconductors.

Critical minerals are vital to the health of the American economy, as they are commonly the enabling element in sectors including transportation, high-end manufacturing, aerospace, telecommunications, and defense. Yet America's presence in this sector has languished.

A 2021 DoD report on supply-chain resilience identified 29 critical "shortfall materials" with only a single domestic producer, and 18 more that have no domestic production.[58] The report stated that "during a national emergency, the U.S. is likely to face [an] inadequate supply of these materials," even for its defense industrial base.[59] The report noted that supply shortages would limit or completely hinder U.S. ability to produce a wide variety of critical supplies, including aircraft, vehicles, plastics, rubber, semiconductors, munitions, and power-generation products (fuels, generators, cells, batteries).[60]

The PRC dominates the critical minerals sector. In 2023, the United States Geological Survey (USGS) reported that the PRC produces over 10% of the world's supply of 53 of 65 critical minerals.[61] The USGS also noted that the PRC maintains near-dominance over the extraction and/or refinement of 23 different critical minerals[62] that are vital to the U.S. economy and national security—some of which, particularly rare earth metals, are produced only in the PRC.

The PRC is keenly aware of its role in the sector and has not been afraid to leverage its position as a global choke point. In 2010, China reduced its global export quotas on rare earths by nearly 40% under the auspices of "environmentalism."[63] The WTO would later rule against the move, following a suit filed by the U.S. and other nations with the organization finding that the restrictions unfairly favored Chinese producers; China begrudgingly complied with the finding's recommendations. In July 2023, China enacted new export controls on gallium and germanium, which are essential to the production of semiconductors, solar panels, and other advanced technologies; the PRC controlled approximately 90% and 60% of global production, respectively, in 2022.[64] Following the enactment of these controls, China's monthly exports of these elements plummeted, from nearly 7.6 metric tons of gallium and 8 metric tons of germanium, to zero.[65]

The PRC's restrictions of these elements are believed to be a direct response to the January 2023 announcement of the U.S.-Netherlands-Japan agreement to place export controls on advanced semiconductors to China;[66] however, it also could have been a preemptive response to EO 14105— "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern"—which was announced only weeks later. Despite gallium exports returning to normal levels,[67] germanium remains tightly restricted; 2024 customs data reported export quantities around 80% lower, compared with pre-restrictions.[68] And in August 2024, the PRC announced that it will be imposing restrictions on antimony, another critical mineral that is particularly crucial to munitions production.[69] The PRC produces nearly half the world's supply of antimony, whereas the U.S. has zero domestic production of the strategic resource.[70]

Both the Trump and Biden administrations marked critical minerals as a sector that the U.S. must secure, resulting in several executive orders designed to develop strategies for identifying new sources of critical minerals (EO 13817), improving domestic extraction/production/processing efforts (EOs 13953, 14080), building up supply-chain resilience (EOs 13806, 14017, 14123) and reinforcing national stockpiles (EO 14051).

Furthermore, the U.S. has begun working with allies and partners to collectively strengthen critical mineral supply chains and decouple from the PRC. In 2023, the U.S. and Japan signed a critical minerals agreement (CMA),[71] which provides elements of free trade agreement (FTA) benefits for the purposes of satisfying EV battery material sourcing requirements set forth by the IRA.[72] Similar CMAs are in development with the European Union and the United Kingdom. However, these CMAs are thus far fairly limited in scope and mostly focus on streamlining cooperation with ally and partner critical mineral industries, rather than build new supply chains that are detached from PRC influence.

Given the recognized importance of critical minerals and decoupling this sector from China, the president should promptly:

- Identify which critical minerals could feasibly be extracted and processed in North America to meet the most pressing economic and security requirements of the U.S.

- Launch an investigation into potential alternative producers of critical minerals abroad, noting not only currently active producers but nations that could become valuable alternative sources from China, should their industries receive proper investment and development.

Biopharmaceuticals is another key sector where the U.S. must start strategically decoupling from the PRC yet has thus far taken no action. Both the Trump administration (in 2020, under EO 13944)[73] and Biden administration (in 2021, under EO 14017)[74] recognized not just the importance of the biopharmaceutical sector to the U.S. but also the importance of reducing reliance on foreign supply chains. Despite this recognition, a 2023 DoD report stated that the U.S. still sources about 26% of its active pharmaceutical ingredients (API) from India, 5% from China, and 22% from "Unknown Nations." Per the report's own risk evaluation, 27% of API used by the U.S. come from "High Risk" sources: non-Trade Agreements Act (TAA)-compliant nations, excluding China. The source of another 27% comes from the "Very High Risk" category, which includes China or otherwise "unknown" nations/sources.[75]

In a report produced by the Food and Drug Administration (FDA) in 2021 as part of the Biden administration's 100-day review of supply chains, the FDA found that it is nearly impossible to calculate the full extent to which the U.S. pharmaceutical supply chain is tied to the PRC. This was due to gaps in data, as well as the PRC's contributions to drugs that are reported as sourced from other nations, particularly India.[76] Some current estimates show that the PRC accounts for 6% of all U.S. imports of pharmaceuticals and 17% of API imports[77] —figures that would likely rise substantially if a thorough investigation was done of the U.S. pharmaceutical supply chain.

We recommend that the president take the following actions to quickly head off this hazardous dependency:

- Issue an executive order (EO) to grant the FDA the authority and tools necessary to force maximum reporting and compliance from companies, allowing the agency the capability to fully identify the extent to which the American pharmaceutical supply is tied to China.

- Following the EO, order an investigation into current U.S. pharmaceutical production capabilities and determine where, on short notice, the U.S. would struggle to modify existing capabilities to launch domestic production. In conjunction with the FDA findings, evaluate which of these "low dynamism" areas also exhibit high dependency on China or "Very High Risk" sources, as well as which areas would cause especially severe consequences if supplies were cut off.

- Establish a business council working group to identify how the U.S. tax code and tariff schedules could be modified to gradually incentivize biopharmaceutical decoupling from China.

- Allocate funding for API precursor production, particularly through Title III funding.

- Issue an EO to create stronger requirements for FDA testing procedures, in order to better identify how unsafe products from China are. The EO should be accompanied by funding allocation for more domestic testing capabilities to ensure that the FDA can accomplish its new requirements.

Semiconductors are already on a path toward strategic decoupling, but the president must continue to prioritize decoupling to ensure that the U.S. succeeds in the crucial task at hand. The importance of semiconductors to the American and global economies cannot be overstated; semiconductors are the "building blocks" of everything from smartphones to advanced military weaponry.

As of 2021, the U.S. produces only 11% of global semiconductors while the PRC produces 16% of the global supply, with U.S. partners South Korea, Taiwan, and Japan at 23%, 21%, and 15%, respectively.[78] However, the PRC has a dominant role in the global supply of semiconductors, particularly in lower-end chips and silicon wafers; experts expect it to control nearly half the global production capacity for these chips within a decade,[79] and U.S. officials indicate that as much as 60% of new "legacy" chips already come from the PRC.[80]

The CCP has identified semiconductors as a priority sector and core element of "Made in China 2025"; in 2014, it deployed the "National Guidelines for Development and Promotion of the Integrated Circuit Industry," a $150 billion strategy to develop its own semiconductor industry.[81] However, the PRC is actively working to reduce its reliance on imported semiconductors and is heavily investing in its national champions and state-owned enterprises (SOEs) across the semiconductor supply chain, with the objective to build an "independent, self-sufficient and 'controllable' " supply chain for the PRC's domestic use.[82] This strategy, like many others, is largely supported by the PRC's theft of intellectual property globally, with the intent to kill global competition in the process.

The U.S. has taken direct action not only to secure America's access to semiconductors but also to deny the PRC the benefits of certain advanced chips. Under the Trump administration, notable actions included EOs 13873[83] and 13959.[84] The Biden administration has continued this effort with EOs 14032,[85] 14080, and 14123.[86] These take a variety of approaches, from establishing councils and committees designed to develop policies for ensuring supply-chain resilience and enhancing American semiconductor manufacturing capacities, to identifying and blocking U.S. investment in Chinese semiconductor companies. EO 14080 is particularly notable, as it implemented the CHIPS Act, a major law that authorized over $280 billion for a number of actions aimed to counter China and boost supply-chain resilience, including domestic semiconductor R&D and manufacturing, tax credits, and research programs.[87]

The U.S. has also taken action with allies. As noted, the U.S.-Netherlands-Japan agreement struck a major blow to China's ambitions to develop its capacity for manufacturing high-end semiconductors. A similar trilateral agreement with the U.S., Japan, and South Korea has had some success, although it has failed to address China directly.[88] Other allies and partners' independent efforts to address China's threatening position in the semiconductor industry are promising, as the EU passed its own CHIPS Act, and India, South Korea, and Japan are all looking to pass domestic industry–boosting legislation designed to break China's silicon grip.

However, these efforts largely fail to address the fragmented nature of a comprehensive semiconductor policy. The U.S. faces three uniquely segmented issues when it comes to semiconductors: securing the defense industry's needs; supporting the commercial industry as it tries to compete with China; and lowering the massive cost of entry for new innovators in the sector. Nevertheless, much of the action undertaken thus far, particularly domestically, has ignored this complexity. The CHIPS Act, for example, focuses almost exclusively on the second issue, the commercial industry; even then, the act only provides support to commercial industry in the form of financing. It does not protect domestic producers from Chinese oversupply, which leaves those producers unable to compete.[89]

On semiconductors, the United States has taken steps in the right direction, but it must adjust course to keep the U.S. two steps ahead in the race for more advanced technologies. To do so, we recommend that the president:

- Order the Commerce Department to develop a standardized assessment of the global semiconductor supply chain, to be conducted annually. The model should be replicable year-on-year, allowing for more effective, consistent benchmarking of the decoupling progress and identification of new areas of opportunity or risk. Risk identification should be done in conjunction with the DoD, to ensure that risks to the defense sector are highlighted.

Utilization of the Defense Production Act surveys and the recently released supply-chain mapping "SCALE" tool to generate the assessment would both be necessary.

- Employ existing authorities (particularly Section 232 tariffs) to implement necessary sector-wide protections that will ensure that public investments are able to pay off. This will have added benefits: attracting substantial private investment that has otherwise been afraid of following the government's investment lead; and assisting the industry in an egalitarian manner, providing no unequal favor to any specific U.S. companies.

- Issue a review of the current distribution of the CHIPS Act and other semiconductor-related funding to identify where additional investment is needed and whether/where current investments are being misplaced.

- Instruct the Commerce Department to investigate the economic impact of implementing tariffs on imports that contain Chinese semiconductors, identifying whether a broad or specific tariff of this style could be executed.

Strengthening our procedures to identify and handle decoupling in additional sectors will be a necessity, as efforts will undoubtedly need to expand to encompass other valuable sectors. The president must preemptively prepare for this task. To this end, we recommend that the administration:

- Develop a methodology for identifying which sectors may be relevant for decoupling, what items within the sector are of strategic value to the United States, and what quantities are being produced by the U.S. and its allies/partners versus China and other high-risk countries.

A robust methodology that continues to identify additional sectors will be integral in maintaining a strong tempo for reducing U.S. risk exposure. Some, however, will not need this system to be flagged—a few sectors have already come under scrutiny. Specifically, the president will inherit a Section 301 investigation focused on "China's Acts, Policies, and Practices Targeting the Maritime, Logistics, and Shipbuilding Sectors for Dominance"[90] and a separate investigation to secure the Information and Communications Technology and Services (ICTS) supply chain for connected vehicles.[91] Actions that the president should be prepared to take to secure America in these sectors include:

- Continuing the Section 301 investigation on the PRC's role to dominate the maritime, logistics, and shipbuilding sectors to develop specific courses of action to safeguard America's interests in these sectors.

- Expanding the ICTS supply-chain investigation for connected vehicles to include drones, security equipment, appliances, audiovisual equipment, and any other devices that are widely gathering data on the American people.

Restricting Investment and Access to American Capital

The PRC's ability to invest in the U.S. and have access to American capital has undermined America's economic and military advantage. Restricting the PRC's ability to invest in the U.S., to have its companies listed on U.S. stock exchanges, and to be a destination for U.S. capital must be a priority for the president and be a central part of a strategy to secure America's economic and military advantage for decades to come.

Outbound Investment

The listing of Chinese companies on ***U.S. stock exchanges*** is a long-standing problem. Such listings provided those enterprises access to valuable capital but also pose a direct threat to the American investor.

In the 2000s, U.S. exchanges were flooded with Chinese companies that used reverse mergers, a process in which a private company purchases a public shell company—avoiding the scrutiny and delay of a traditional IPO—to gain access to U.S. exchanges. By 2012, "nearly 150 Chinese companies [had] accessed U.S. stock mergers through reverse mergers."[92] By then, numerous companies, some of which had valuations in the billions, had been exposed for massive fraud in their revenue reporting and other financials; many would eventually go bankrupt.[93] Today, reverse mergers are not as common, potentially because the U.S. wised up to the practice, but the presence of Chinese companies on U.S. stock exchanges continues to invite unnecessary economic risk.

The CCP's ability to control the "private sector" through its SOEs makes U.S. investors susceptible to volatile swings in the value of Chinese companies. Unilateral policy decisions made by the CCP, such as desiring to champion a different firm, or seeking to protect a domestic competitor, threaten investors in Chinese companies with the possibility of abrupt and unpredictable downswings. The CCP's crackdown on Chinese tech companies in 2020–21 is a prime example of this risk; the CCP's sudden decision to enforce a multitude of new regulations, data requirements, and antitrust laws sent Chinese tech companies scrambling to comply, pay massive fines, and cut their involvement in various sectors, swiftly deleting over $1 trillion in value—almost 50% of Chinese internet companies' total market capitalization[94] —and causing harsh losses to the many U.S. investors in these companies.

The U.S. has little recourse against this market meddling, as companies and individuals lack the legal means to hold fraudulent Chinese companies accountable or to encourage change in PRC policy. For example, the PRC amended its Civil Procedures Law in 2023 with a vague enforcement exemption clause that could potentially protect a Chinese entity accused of any action if the consequences would "violate China's public interest."[95] This potential is not theoretical; the clause has already been used by the PRC to circumvent enforcement against Chinese companies.[96] This precedent makes blindly trusting China's practice of legal reciprocity foolish—and the possibility of U.S. investors finding themselves without means of redress against Chinese firms very high. Additionally, the lack of punitive damages in China's legal system[97] or an extradition treaty with the U.S. means that Chinese companies lack many of the deterrents to keep them from defrauding American investors.

When attempts to prosecute Chinese companies are made, they are constantly stymied, as building a case against Chinese firms is notoriously difficult. The CCP's recent enactment of data security laws in China (China Cybersecurity Law, Data Security Law, Personal Information Protection Law) has introduced even more hurdles to the process, providing a legal layer of protection for any information deemed "sensitive data." The CCP has even explicitly stated that personal data cannot be provided to foreign judicial/law-enforcement agencies,[98] providing companies with an easy out that they can claim applies to them, stalling any proceedings.

Even simply identifying Chinese companies that are "healthy" is a near-impossible task. Prior to 2022, the Public Company Accounting Oversight Board (PCAOB), the nonprofit corporation under the SEC that reviews auditing firms, was completely blocked from examining Chinese auditing firms. Despite having next to no oversight or accountability at the time, 261 Chinese companies were listed on the top three U.S. exchanges in 2022.[99] Only after the passage of the Holding Foreign Companies Accountable Act (HFCAA) did the CCP finally allow the PCAOB in late 2022 to inspect Chinese auditing firms. This, however, revealed the depth of the problem, as it was revealed that Chinese auditing firms were committing a multitude of violations, including conspiring against audits, lacking quality-control systems, and CCP interference in PCAOB investigations.[100] As a result of these inspections, as well as HFCAA rules entering into force, 61 audit issuers—over 25% of all Chinese issuers—have been issued warnings of noncompliance by the NYSE or NASDAQ, with an additional 13 being forcibly delisted for violations.[101]

To worsen matters, the HFCAA lacks adequate forward-looking measures. The HFCAA requires that after two years elapse without an inspection of the company's auditors by the PCAOB, a company must submit documentation or be delisted. A glaring loophole is present: companies can reap the capital from IPO-ing and flaunt all adequate auditing standards for two years, presenting a massive risk to American investors.[102] Companies may then further abuse the loophole by re-forming as a new entity, and restarting the charade all over again. Even though Chinese listings on U.S. exchanges have declined substantially in recent years, the opportunity to abuse this design flaw of the HFCAA remains a concern, as companies can easily do serious damage before the "grace period" expires.

Chinese firms must not be allowed to remain on the stock market while these issues persist. The president should take quick action to confront the problem. Our recommendations for the president:

- Seek ways to empower the PCAOB to be more aggressive. Specifically, it should actively look to heavily fine auditors for violations (particularly repeats), and swiftly delist companies found continuing to use noncompliant auditors after being given warning. If noncompliance continues to be a serious problem, issue a ruling to require companies from countries with historical noncompliance patterns to utilize only auditing firms from a list of "verified" auditing firms.

- Order the SEC to more aggressively require companies to reaudit if the auditing firm they utilize has received sanctions from the PCAOB.

- Issue an EO to expand HFCAA requirements. Companies that seek to IPO from nations with a history of auditing issues should be required to promptly disclose information normally required after two years of noncompliance. In addition, companies must be required to disclose any associations with governments or state-affiliated entities, as well as the degree of association maintained. Those with strong associations with governments/entities flagged as threats to the U.S. (such as the CCP/PLA) should automatically trigger a process for blocking IPOs or delisting.

Despite U.S. foreign direct investment (FDI) into the PRC falling in 2023, shrinking by 13.7% (the lowest "growth" rate in decades), U.S. FDI into the PRC is still valued at over $160 billion.[103] ***U.S. companies continue to invest in problematic Chinese entities***, providing the CCP with a vital lifeline to fuel its economy and modernize its military. The Biden administration took steps to address this in 2023 with EO 14105, which establishes the Treasury's Outbound Investment Security Program (OISP); and in 2024, with a Notice of Proposed Rulemaking (NPRM) elaborating on the scope of the OISP.[104] The EO and NPRM, unfortunately, followed the Biden administration's "small yard, high fence" protocol for de-risking by narrowly covering outbound U.S. investment in semiconductors, quantum information technologies, and AI[105] —missing a wide swath of companies that present an economic and military threat to the U.S.

Further weakening the OISP are the number of exemptions it provides, which give U.S. investors and Chinese companies a number of loopholes to exploit in order to circumvent restrictions. For example, restrictions do not apply to public companies, to securities issued by investment companies, and to existing transactions—only to future ones.[106]

Compounding these issues, the Treasury Department has been extremely slow to add companies to the Chinese Military-Industrial Complex Companies List (CMICCL),[107] giving Chinese companies an easy loophole to avoid restrictions—simply establishing a new shell company keeps them ahead of the list and attracts more U.S. investment. The results of this are clear: a 2023 report from the House Select Committee on the Strategic Competition between the U.S. and the CCP found that over $6 billion from U.S. investors went toward 63 PRC companies that were flagged by various departments and congressional acts for supporting the PLA or Chinese human rights violations,[108] $5.3 billion of which went directly to companies that support the PLA.

Solving these issues must be a pressing priority for the president. Thankfully, the solutions are relatively straightforward. The president must:

- Order the OISP to include additional priority sectors identified as critical on the bipartisan Critical and Emerging Technologies List (CETL), as developed by the Trump and Biden administrations.

- Remove the restriction that EO 14105 does not apply retroactively; instead, provide U.S. companies a window of time to divest from any flagged companies, with noncompliance leading to fines and penalties.

Inbound Investment

Investment from China to the U.S. remains a problem. The problems with inbound investment from China stem from Chinese companies' ability to invest in strategic sectors in the United States, risking dependencies, and, more concerningly, technology transfers. CFIUS, the interagency committee under Treasury designed to vet and block these problematic investments, has been active in trying to mitigate these issues—reviewing 440 cases in 2022 alone (286 were "notices" of potential national security concerns required to be provided by companies; 36 of these notices were Chinese),[109] engaging in full investigations for 162 of these, and forcing at least initial withdrawals of deals in 87 cases.[110] But the problem of Chinese investment persists, due to CFIUS lacking the scope it needs.

Similar to the issue regarding outbound investment, reforms made to CFIUS's authority to address China—in this case, the Foreign Investment Risk Review Modernization Act (FIRRMA)—remain limited in scope. In 2022, President Biden issued EO 14083 ("Ensuring Robust Consideration of Evolving National Security Risks by the Committee on Foreign Investment in the United States"),[111] which instructed CFIUS to consider the impact by a "covered transaction" on "critical supply chains," as broadly defined under 2021's EO 14017 ("America's Supply Chains").[112] Although the review process has broad considerations, the criteria for what can be subjected to this review ("covered transactions") remain extremely limiting. The definition of "critical technology" in the covered transaction criteria is specifically limited to what is defined by the U.S. Munitions List (USML) and Commerce Control List (CCL),[113] excluding a wide swath of technologies and industries that are part of those "critical supply chains."

The scope must be expanded. The new administration should issue a day-one review to identify any discrepancies between the current CCL and CETL and recommend new Export Control Classification Numbers, where needed, to synchronize the two. Furthermore, the review should seek to pinpoint the causes of slowdowns in the process of modifying the CCL, so that they can be streamlined and the list more rapidly updated. One such streamlining action should be the expansion of the DoD's role in updating the CCL; strong designation authorities should be granted to the Secretary of Defense. Improving the process of updating the CCL will help with inbound and outbound investment issues; both utilize the CCL extensively.

However, CFIUS should not be hamstrung by the CCL during this review—parity between its scope and the administration's should be ensured. The president should issue an EO, under the legal backing of the International Emergency Economic Powers Act (IEEPA), to expand CFIUS's authority, granting it the scope to review any investments connected to the "critical supply chains" identified in the 2021 EO, technologies found in the CETL, or an even greater expansion of scope beyond these two lists,[114] to best protect American assets from the risks associated with Chinese investment.

Employing Legal Measures to Hold the CCP Accountable

On day one, the president will have the power to mobilize the U.S. legal system to hold the CCP accountable for its criminal and globally destabilizing actions. The scope of the authorities and legal framework that the president will wield is immense but, if harnessed effectively, could be deployed in a strategy that enforces the law and imposes harsh costs on the CCP.

U.S. foreign policy, however, has too often deployed these authorities in ways that are inadequate due to insufficient resource allocation, uncoordinated actions, and unclear objectives/ end states. To avoid this, the president's strategy should deploy legal warfare actions in line with the clear guidance set forth in an NSDD. Specific lines of effort that the president should undertake include sanctioning the PRC's support of the Russian invasion of Ukraine; holding China accountable for its role in fentanyl trafficking in the U.S.; decoupling the United States' risky dependency on strategic imports; punishing the CCP's violations of human rights; and defending American intellectual property.

Sanctioning Chinese Support of Illicit Actors: The 2017 NSS states: "China and Russia want to shape a world antithetical to U.S. values and interests."[115] The 2022 NSS similarly declared that Russia and China "are working overtime to undermine democracy" and to "remake the international order to create a world conducive to their highly personalized and repressive type of autocracy."[116] While the PRC and Russia's strategies and desired outcomes differ, the two are increasingly aligned in opposing the U.S.-led, liberal international system. The 2022 NDS explicitly notes that "the PRC and Russia relationship continues to increase in breadth," and as a result, the two "now pose more dangerous challenges to safety and security at home."[117]

The strengthening bond between China and Russia clearly poses not only a greater threat to domestic security but to global peace as a whole, as evidenced by the ongoing conflict in Ukraine. China's industrial base and financial system[118] have played a pivotal role[119] in sustaining[120] Russia's heavily sanctioned economy and, by extension, its war effort. China has supplied Russia with over $300 million in dual-use goods—including those used for the missiles and drones that Russia employs against the Ukrainian people—each month since the renewed invasion.[121] In doing so, China has actively and substantially profited from its support of Russia's belligerence.[122] While China has feigned interest in "defend[ing] international fairness and justice,"[123] it has refused to condemn the invasion, actively opposed peace plans that would force Russia to return stolen territory,[124] engaged in military drills with Russia,[125] and repeatedly affirmed its "no-limits partnership" with Russia, first declared in 2022.[126] Russia's 2022 expanded invasion of Ukraine has forced Beijing's hand; it is undeniably clear that China and Russia's alliance threatens peace and democracy. As Xi said to Russian President Vladimir Putin during a meeting in 2023: "Right now there are changes—the likes of which we haven't seen for 100 years—and we are the ones driving these changes together."[127]

Fortunately, there are opportunities for the U.S. president to address this. Existing authorities to deploy sanctions against this threat exist; the Biden administration has already sanctioned some PRC entities for supporting the Russian war effort, primarily by utilizing EO 14024.[128] On day one, the new administration should look to this EO and any other relevant available authorities (see Figure 2) to aggressively issue further sanctions against Chinese entities fueling the Russian war machine.

The greatest impact will require more involved effort. The president must direct the Treasury and Commerce Departments to identify Russo-Sino sectors that could be sanctioned in order to push American economic advantages over the PRC, undercut Russia's ongoing war efforts in Ukraine, and deter any circumvention activities. After these sectors have been identified, Treasury should be directed to begin more aggressively employing the Specially Designated Nationals (SDN) list against targets therein.

Russia is not the only criminal nation to which China is providing unfettered support. China deliberately enables and engages with Iran, a designated state sponsor of terrorism, even signing a 25-year cooperation agreement in 2021.[129] China purposefully evades sanctions to illegally trade with Iran, particularly in oil—in 2023, China purchased about 90% of Iran's oil exports.[130] The PRC accomplishes this by employing "dark fleet tankers," conducting ship-to-ship transfers, and using "teapot" refineries (private ventures unaffiliated with China) to avoid detection. Iran has benefited greatly from this relationship, expanding its foreign reserves substantially. China benefits doubly: from the cheaper oil that it can get from Iran; and from the billions in machinery and electronics that it then sells back to the now-RMB-flush Iran.[131]

Efforts have been made to deter this activity. In 2024, the Iran-China Energy Sanctions Act of 2023,[132] which targeted Chinese financial institutions involved in the purchase of Iranian oil, and the SHIP Act,[133] which targeted any port, ship, or refinery owners that handle Iranian oil, were both signed into law as part of the emergency supplemental appropriations bill. However, trade remains an issue, largely because of lax enforcement efforts due to a lack of resources and a weak will to risk affecting the price of oil. The new president must buck this trend. Funding should be designated to empower the relevant agencies to more effectively catch ship-to-ship transfers and thus deploy SHIP Act sanctions. In addition, the president must order Treasury and Commerce to prioritize aggressively deploying the existing authorities.

Export Controls Enforcement

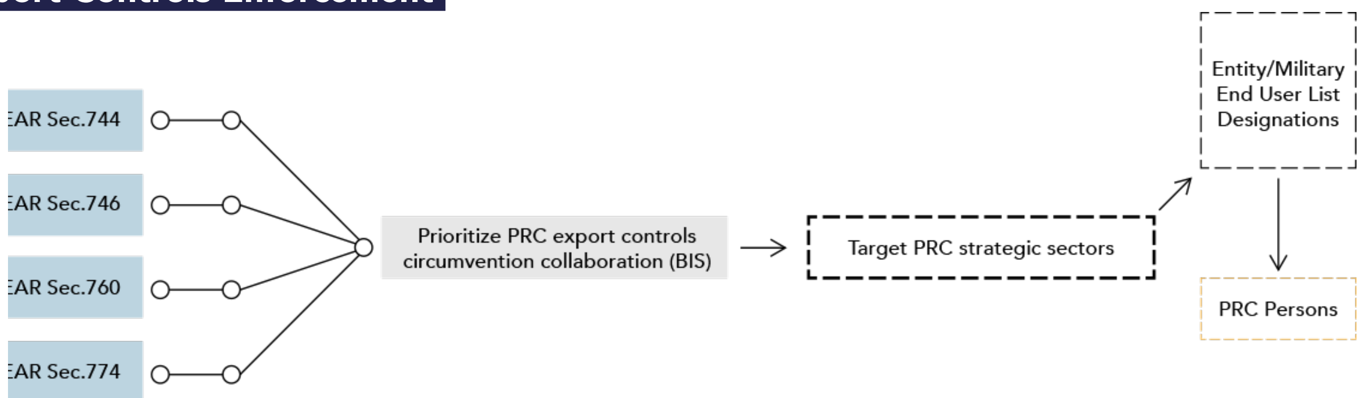


Figure 2: Process for Utilizing Export Controls Against China's Support for Russia

Combating China's Fentanyl Strategy: China has played a major role in the ongoing fentanyl crisis in the U.S. The PRC is complicit in the deaths of more than 70,000 Americans every year through its participation in fentanyl trafficking networks.[134] And the PRC is actively enriching itself through this death and destruction, turning millions of dollars in profit on the thriving precursor industry that it supports through willful negligence and malicious intent.[135]

Following the 2019 decision to designate fentanyl analogues as controlled substances, the PRC has done little to address the "unlimited and endless supply of [fentanyl] precursor chemicals … coming from China to Mexico"[136] that end up in the U.S.[137] The PRC has not only failed to prosecute or deter these entities but actively encourages them, subsidizing them with tax credits[138] and even holding ownership interests in numerous precursor producers.[139] Some of these producers flagrantly market these precursors for fentanyl production and offer to provide advice and production assistance.[140]

Once again, existing capabilities are there for the new administration to employ. They must be wielded immediately. EO 14059 empowers the Treasury to impose sanctions on foreign persons involved in the global illicit drug trade.[141] The Office of Foreign Assets Control (OFAC) has already utilized it to target Chinese precursor production networks, to great success.[142] The administration must quickly order Treasury to begin aggressively prioritizing Chinese precursor producers to target and sanction using EO 14059 (see Figure 3). These efforts might begin to turn the tide against this continuing attack on the American people, but they will be insufficient. The new administration must be ready to ramp up efforts. We recommend expanding the scope of Treasury's efforts to include a wider swath of participants, collaborators, and enablers—not only the producers themselves. This should range from e-commerce and online retail companies like Alibaba, which continue to host prolific sellers of fentanyl precursors "widely and openly,"[143] to financial institutions that aid in laundering fentanyl and precursor profits, to PRC officials who are implicated in approving/providing subsidies to known manufacturers of fentanyl precursors.

The president should issue an additional EO to give Treasury the resources and authority that it will need to pursue this broader goal of dismantling both the Chinese precursor industry and the thriving PRC–cartel relationship. These steps are likely to incur retaliation from the CCP, which, despite claiming to want to work on the issue, has a vested interest in the U.S. failing to protect its citizens. This retaliation should be anticipated, and the administration should be prepared to employ necessary measures to dampen the impact.

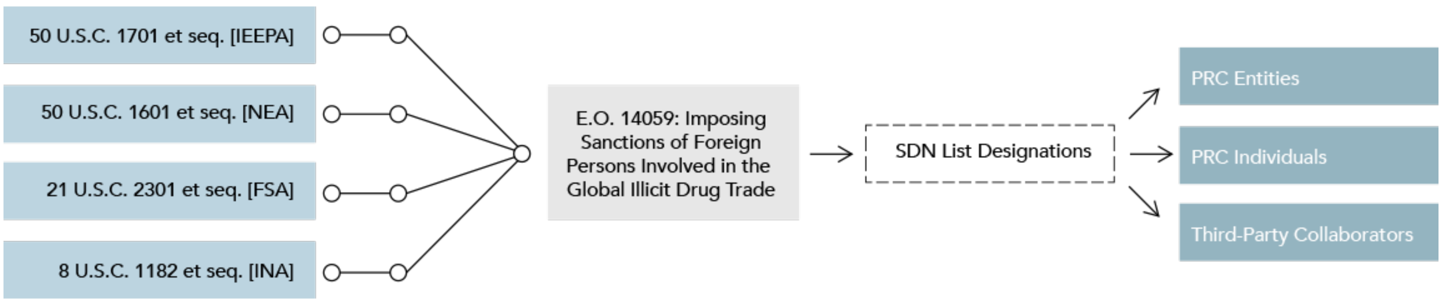


Figure 3: Process for Utilizing EO 14059 Against China's Involvement in Fentanyl Trade

National Security Tariffs: The U.S. is heavily dependent on China for the import of a number of goods critical to a variety of strategic sectors. For example, in 2022 China accounted for about 22% of total U.S. iron/steel imports.[144] While the U.S. has a strong domestic iron/steel industry—imports constituted only 14% of total U.S. iron/steel consumption in 2022[145] —many other strategic imports from China do not have a domestic base to fall back on in a crisis. For example, antimony (a mineral crucial to a variety of military hardware and semiconductors), for which China recently announced export controls, is primarily sourced from the PRC; about 72% of U.S. imports of the critical mineral came from China in 2021.[146]

Tariffs could be implemented systemically to help protect critical U.S. strategic sectors from Chinese market manipulation, strengthen demand for U.S.-sourced strategic inputs, mitigate PRC efforts to lock in import dependency, deny revenue to strategic-sector PRC firms, and halt China's attempt to climb the value chain in key commercial fields. The Biden administration has already begun raising tariffs on Chinese inputs in sensitive sectors such as EV batteries and select critical minerals.

Implementation of these tariffs should be done with an extremely deft hand. Care must be taken to ensure that they are targeted; in 2018, the Trump administration's attempt to implement tariffs on Chinese steel and aluminum were subject to substantial criticism (and eventual revision) from allies and partners, which were also affected under the sweeping implementation. New tariffs must also be practical, facing the fact that many strategic resources imported heavily from China, such as rare earth metals or solar cells, do not have developed production capacities in the United States or, in some cases, in any other nations. In such situations, tariffs will serve only to affect any domestic industries reliant on these inputs and should be avoided in favor of developing nascent production capabilities at home or in ally/partner nations.

In situations where they can be deployed effectively, Section 232 and Section 301 tariffs will be powerful tools for the new administration to employ. Under Section 232, the president is given broad discretion to adjust imports, including through tariffs, if the level of those imports is determined to threaten national security. This power is expansive and has been successfully applied even to commodities such as steel; essential end-products and inputs should be even easier to target (see Figure 4).[147] Section 301, on the other hand, is a more precise tool, best deployed in bilateral/trilateral settings. And its flexible legal standard allows the president substantial discretion in its deployment.

We recommend that the new administration utilize Section 232 to order Commerce, in consultation with the DoD, to swiftly begin an investigation into current U.S. imports from China to identify which strategic items are at risk. Notably, Section 232 allows for any department, agency head, or "interested party" to request an investigation.[148] The president should utilize this, ordering any and all potentially relevant departments/ agencies to coordinate their requests between one another, to ensure that the scope of the ensuing investigation is sufficiently expansive.

The president should be prepared to swiftly implement the recommendations derived from the investigation's findings. At the same time, the president should order Commerce to identify bilateral trade relationships that present a risk to U.S. security and provide recommendations on appropriate Section 301 deployments to resolve these risks. In the event that these tools are too limited, particularly when "most-favored nations" are involved, the president may need to consider more aggressive action, including evoking Article 21 of the GATT (which allows members to breach any obligations if they are perceived as violating "essential security interests"),[149] in order to gain the necessary flexibility to protect American interests.

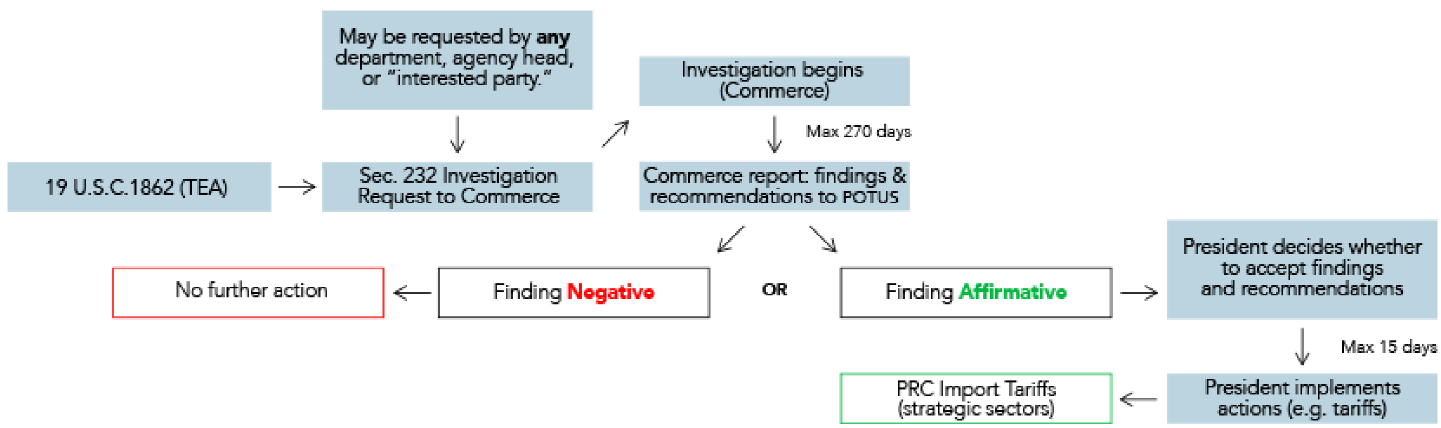


Figure 4: Process to Utilize Section 232 Against Chinese Trade

Unleashing the Uyghur Forced Labor Prevention Act: Since 2017, detention and forced labor of Uyghur and other minorities in the Xinjiang Uyghur Autonomous Region of China have been well documented.[150] Despite international outcry and sanctions placed against the region, the massive efforts to "reeducate," displace populations where these ethnic groups are in the majority, and forcibly insert these populations into government-approved labor programs have continued unabated. Government work plans explicitly state their intention to continue the programs, using intrusive and aggressive surveillance systems to ensure compliance.[151]

The two previous administrations have worked to act against the PRC's mistreatment of the Uyghurs and other minorities, particularly through the Uyghur Forced Labor Prevention Act (UFLPA), which presumptively designates all goods from Xinjiang as being made using forced labor, subjecting them to export controls under Section 307 of the Tariff Act of 1930.[152] The UFLPA also requires DHS, through CBP, to maintain an Entity List of any entities found to have ties to Xinjiang and forced labor; they, too, are then subject to export controls.[153]

The UFLPA is not being applied to its full potential.[154] Relatively few PRC entities are being designated by DHS, too few withhold orders have been applied to China, and blocked orders can be redirected to third countries, all weakening the impact of the law on PRC exporters.[155] Only a meager number of shipments are even being investigated—as of September 2024, fewer than 10,000 shipments have even been investigated by CBP (fewer than 4,000 shipments were denied).[156] In addition, DHS appears to lack the capacity to adequately map forced-labor-implicated supply chains, and, to date, much of the law's power has applied to nonstrategic goods, such as cotton.

The president has a moral imperative to act against these crimes against humanity. Right away, the president should utilize what is available, ordering the CBP to focus its efforts on identifying entities tied to more strategic goods, including solar panels and PVC materials; solar panels and PVC materials are both major exports of China and likely have significant ties to forced labor.[157] Sector-wide priorities should also be identified; to the extent practical, they should be tethered to the National Science and Technology Council and Emerging Technologies List (see Figure 5).[158] But even more attention and effort need to be placed on this issue.

To accomplish this, we recommend that the president designate a new priority objective for CBP, developing a more complete, actionable, high-fidelity picture of PRC supply chains potentially implicated in forced labor. At the same time, the president should pursue providing additional resources to CBP, including investment in cutting-edge analytical tools that will allow the agency to leverage technological advances to apply its authorities in a more systematic and informed manner. The president should also push for more frequently and aggressively publicized designation of entities, to keep the issue prevalent to the American people. Finally, the administration must develop and release regulations to prevent imports withheld by the UFLPA from being reexported to a third country, a serious loophole in the current regulations that must be closed.

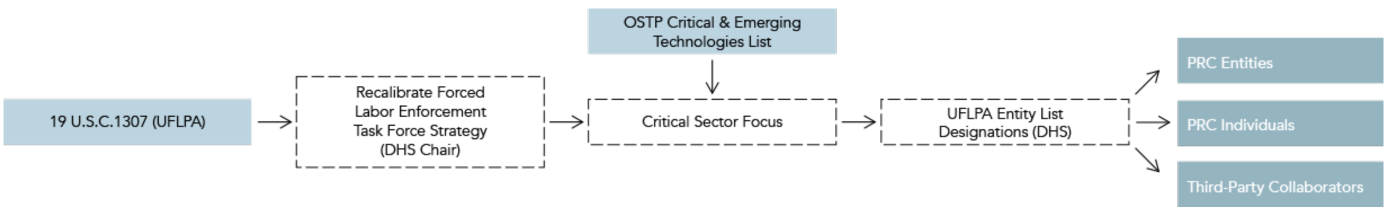


Figure 5: Process for Utilizing UFLPA Effectively

New Executive Order—Sanction PRC IP Violators: China's theft of IP has been a rampant issue facing the U.S. for decades. This theft takes on varied forms: private businesses stealing secrets,[159] counterfeiters flagrantly disregarding patents,[160] bureaucrats forcing technology transfers or sharing of IP,[161] or even state-sponsored hacker cells committing cyberattacks.[162] The PRC is seemingly uninterested in seriously stopping this maelstrom of thievery.[163] Instead, it actively aids and abets these actions, which assist in achieving CCP goals such as developing technologies in strategic sectors that would otherwise lag behind Western competitors. IP theft allows Chinese companies to circumvent costly and lengthy R&D, granting them significant financial advantage over the firms from which they steal and then, often in conjunction with state funding and support, drive out the disadvantaged foreign competitors and conquer markets.[164]

The consequences of failing to adequately address Chinese IP theft are grim. Over half of all economic espionage prosecutions brought by the DoJ are related to China, and as many as 80% contain allegations of conduct that would benefit the PRC.[165] Reports estimate that Chinese economic theft costs the U.S. $400 billion annually,[166] potentially as much as two-thirds of all losses of this kind faced by the U.S. year-on-year.[167] The Commission on the Theft of American Intellectual Property estimated that Chinese IP theft alone has cost the U.S. trillions.[168] These are not acceptable "costs of doing business."

To address this out of the gate, the president must plan to aggressively utilize existing authorities, setting a clear precedent for taking Chinese IP theft seriously. To this end, the president must order the DoJ to aggressively prioritize prosecution of cases of IP theft connected to China, particularly if strategic sectors (as identified by the National Science and Technology Council [NSTC] and CETL) are involved. In addition, Commerce should be instructed to more heavily utilize its authorities granted under Section 301[169] and EO 13694— "Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities"[170] —to sanction Chinese entities wherever possible.

But history has shown that this will not be enough. The new administration must be prepared to go even further to stem the flow of ideas and capital from the U.S. to the PRC. To do this, we recommend that the president issue an EO that modifies existing Treasury authorities on this issue, granting the department the scope to broadly pursue and sanction not just IP thieves but their beneficiaries, enablers, and collaborators as well (see Figure 6). The objective of the administration should be to comprehensively target the ecosystem that is facilitating and sustaining these malign actors, in order to induce a systemwide collapse of China's IP espionage-industrial complex and the incentive structure that sustains it.

IP Violation-Based Sanctions

Figure 6: Process for Utilizing Sanctions Authorities Against Chinese IP Theft

Prepare for Contingency Scenarios with Economic War Planning

In the event of escalated economic coercion from the CCP, military aggression, or imminent conflict, the U.S. must prepare itself for both high-intensity and sustained low-intensity economic warfare with the PRC. To this effect, the U.S. must develop robust economic war plans that demonstrate that the U.S. can hold the CCP's economic security at risk by continuing to deny and degrade the CCP economically but also provide options for escalation during a conflict scenario. The president must be the one to initiate this process and direct the executive branch to gather the intelligence, identify the targets, and prepare the means to build economic war plans that employ the full spectrum of U.S. economic capabilities to beat the PRC.

The DoD is accustomed to developing war plans, as such plans are one of the primary ways in which the DoD shapes its resources, capabilities, force posture, and training requirements; but most important, such plans make its ability to deter a threat credible. Plans such as these are often centered on a specific scenario or adversary, resources that could be employed, and clear objectives established across several phases of conflict. The planning process, despite its complexities, is arguably direct in its approach. Planning to employ military assets, with defined capabilities and known impact, against enemy targets that follow a relatively prescribed process: this process does not exist for economic warfare.

Direction from the president to build economic war plans is needed to force a new bureaucratic mind-set on how the U.S. should leverage its asymmetric economic and military advantages to economically compete against the PRC. In contrast to war planning in the military context, the U.S. does not have a framework for how it would employ the full spectrum of policies and capabilities to impose economic cost on the PRC during steady-state competition—aggressive competition during peacetime—let alone during periods of escalated tensions or wartime environments. This challenge is even more apparent when considering that for any economic offensive to be successful, the U.S. will need support from its close allies and partners.

During an economic wargame conducted this year on Capitol Hill, CESI was able to simulate the process that the U.S. would need to follow in order to generate and coordinate economic action with allies and partners. The simulation's objective was to identify how willing the U.S. and its allies in Europe and the Indo-Pacific would be to employ offensive economic tactics during steady-state competition and in conflict scenarios, as well as to identify what policy gaps might exist. The gameplay, which three teams representing the U.S., Europe, and the Indo-Pacific engaged in, consisted of three distinct phases:

1. **Phase 1—Implementing Strategic Decoupling** amid high U.S.–PRC tensions and an escalated trade war, but still during steady-state competition.

2. **Phase 2—Employing Economic Deterrence** in the face of an aggressive Beijing imposing a blockade on Taiwan.

3. **Phase 3—Imposing Economic Costs** on the PRC, which had just conducted offensive military strikes against Taiwan.

The simulation exposed that, although the U.S. and its European and Indo-Pacific partners were highly aligned in their overall sentiment and policy toward China, their risk assessments for engaging in both economic competition and warfare were substantially different. A number of variables affected how willing each team was to take meaningful action against the PRC, including country-specific economic interests, domestic politics, economic capacity, regional security priorities, and concerns about presenting a direct challenge to Beijing.

Three core findings emerged from the wargame that have driven our recommendation for the president to direct the executive branch to begin developing economic war plans. First, American leadership will be paramount in building a global economic coalition to counter the PRC, during any state of economic competition or conflict. Second, global security challenges could weigh heavily on how willing nations will be to impose economic costs on the PRC, especially if there is no pre-coordinated plan. Third, during each phase of economic conflict, identifying economic targets, the means to affect those targets, and building a strategy for the specific role of the U.S. and its global partners will take substantial policy coordination; this must start now.

Decouple, Deter, Destroy - Building an Economic Strategy for China

To initiate the process, the president should expedite forming an interagency group comprising members from the IC and the Defense, State, Treasury, and Commerce Departments, pooling resources and intelligence to identify how the U.S. can impose economic costs on the PRC. This process should be led by the NSC's SCC, with the initial objective to develop a plan identifying "Priority Targets for Economic Warfare Campaign" for the PRC. The campaign plan will be the foundation for specific economic war plans, identifying key targets that the U.S. should prioritize across three distinct campaign stages:

Figure 7: Deny, Degrade, Destroy Process

The initial focus should be to expand U.S. ability to deny the PRC any economic advantages during steady-state competition, building upon the work that has already been done in both the Trump and Biden administrations in terms of tariffs, sanctions, and export controls. But the next administration should urgently develop "war" plans that focus on degrading and destroying the PRC economically to deter and, if necessary, impose severe economic costs on the PRC in the event of a crisis. The U.S. must be able to demonstrate to the CCP that it is able to hold its economic security at risk and, where appropriate, use economic "pressure points" to also hold its military interests at risk. By doing so, the U.S. will bolster its ability to deter CCP aggression across the spectrum of conflict by having credible plans with an executive branch that is ready to act.

The following example of a campaign plan lays out how the U.S. could map its economic targets in the PRC across the stages of Deny, Degrade, and Destroy.

Priority Targets: A Blueprint for Offensive Economic Action Against the PRC

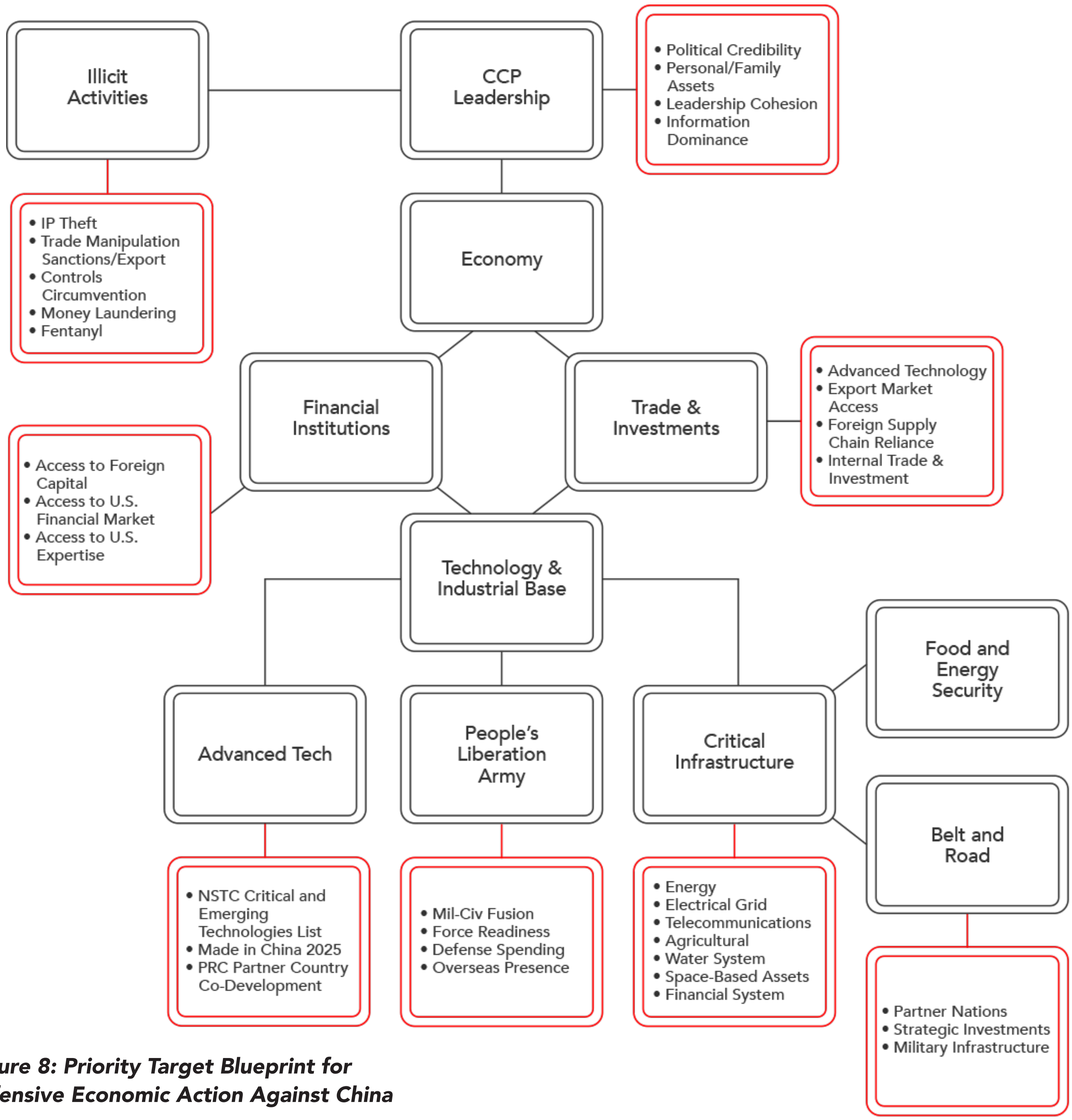


Figure 8: Priority Target Blueprint for Offensive Economic Action Against China

The plan above demonstrates how the president could direct the executive branch to begin developing the necessary building blocks to impose economic costs on the PRC across a wide array of steady-state and conflict scenarios. Such a plan would have elements to be implemented now—building upon the current policies in place—but more severe actions would be triggered as the threat escalates. For example, the U.S. must be prepared to target PRC food and energy supplies in the most severe circumstances, but such a step is currently unwarranted.

CAMPAIGN STAGES

- **DENY** Advantages during steady state competition
- **DEGRADE** PRC high-impact abilities
- **DESTROY** PRC economic capabilities during kinetic conflict scenario

ACTION 5

Forge New Global Coalitions and Reassert U.S. Leadership

Action 5: Forge New Global Coalitions and Reassert U.S. Leadership

Strategic competition is global. If the U.S. is going to beat the PRC, the president must be willing to lead the execution of a new global economic strategy in the United States. For far too long, America has employed a foreign and economic policy approach that has done too little to advance America's strategic interests, despite increasing competition from the PRC. Unlike the Soviets during America's Cold War, this new adversary is deeply integrated into the global economy. The U.S. has been slow to execute a strategy that reflects this fact.

The president's strategy will need to be clever, coordinating and prioritizing efforts such that America's limited resources, market access to foreign partners, and attention are working in tandem to strengthen the U.S. advantage over the PRC. To accomplish this, the president will need to have clarity on the global competitive landscape in order to know where the U.S. maintains the advantage, or where the PRC is gaining the upper hand.

The China Economic & Strategy Initiative has already taken the first steps to define the U.S.–PRC competitive landscape, by developing the Global Influence Index (GII)[171] —a first-of-its-kind tool to measure U.S. and PRC influence globally across the political, economic, and security spectrum (see Appendixes 1, 2). The GII shows that whereas the U.S. has heavily relied on security cooperation to build influence, the PRC has been actively deploying economic tools to do so—to great effect.

For decades, the CCP has been deploying a global economic strategy to build influence, induce dependency in nations (particularly developing nations), and forge a new international system under Beijing's leadership. The CCP has done this by launching global economic initiatives such as the Belt and Road Initiative (BRI), Asian Infrastructure Investment Bank (AIIB), and signing FTAs and "Strategic Partnerships." This strategy has yielded tangible results.

The CCP has focused heavily on expanding its influence in its own "backyard" of the Indo-Pacific. Beijing has done this by heavily investing in its bilateral economic relationships to build leverage, launching BRI investments throughout the region, and pushing Xi Jinping's "Asia for Asians" security plan. In turn, the CCP has used its regional economic leverage to counter long-standing U.S. security alliances with nations such as Japan, Australia, and South Korea—applying coercive economic pressure whenever Beijing sees fit.

In Southeast Asia, the PRC has competed aggressively by strengthening its already deep and established trade ties, as well as intimidating nations with conflicting interests, seen most notably in its aggressive reactions to countries that have pushed back against and condemned China's actions in the South China Sea. In the Pacific Islands, the CCP has successfully used its economic leverage to reach a security pact with the Solomon Islands and to induce the Solomon Islands, Kiribati, and Nauru to sever diplomatic ties with Taipei.

In Europe and the Middle East, the PRC is using its economic leverage to peel off countries from participating in collective action and to unify countries for the PRC's economic benefit. In Europe, where addressing climate change is a top priority, China has leveraged its supply-chain influence in clean energy and EVs to exacerbate diverging political and economic interests among European nations. Even as Europe as a whole seeks to lessen its clean energy dependence on China, working with the U.S. on the IRA, pursuing investigations into illegal solar energy dumping by China,[172] and pushing forward high tariffs on Chinese EVs,[173] individual European nations are struggling to take a strong stance against China. France, for example, sees China as indispensable for the energy transition, making it even less willing than other European countries to exact punitive action on Chinese malpractice.[174] And in Hungary, PRC collaboration in the EV industry and general investment—Hungary received 44% of all Chinese foreign direct investment into Europe in 2022[175] —has led to deep ties between Beijing and Budapest.

In the Middle East, China has attempted to transcend sectarian divides and build political capital regionwide in order to gain access to new markets and secure its energy needs. Beijing's hosting of talks between Iran and

Saudi Arabia in 2023 is just one example of the CCP's expanding diplomatic role in the Middle East, with its military support to Iran as evidence of its deepening regional security ties.

In developing nations in Latin America and Africa, China has leveraged its economic clout to secure its access to raw materials but also dominate key elements of the global supply chain. Chinese companies have invested billions[176] in extracting the rich reserves of oil, gas, lithium, cobalt, copper, and other critical minerals[177] found in Latin American and African countries such as Argentina, Chile, Peru, Angola, the DRC, and Zimbabwe. Through the BRI, China has invested heavily in building critical infrastructure across Latin America[178] and Africa,[179] including expansive networks of ports, airports, railways, and roads—all of which make accessing and extracting critical resources easier. Some of this infrastructure can also serve to give Beijing a potent tool to undermine U.S. national security; for example, a Chinese SOE-constructed mega-port in Peru could potentially host Chinese naval vessels, granting them basing capabilities in America's "backyard."[180] And in Cuba, a strong PRC–Cuban economic relationship led to the covert establishment of a Chinese intelligence facility on the island.[181]

China has leveraged its role as a key trade and investment partner to increase its global security presence. Equatorial Guinea, where the PRC is reportedly considering building a naval base, recently upgraded its relationship with the PRC to a "comprehensive strategic partnership" and received over $3 billion in Chinese loans between 2000 and 2022.[182] This pattern can also be seen in other nations where the PRC's economic activity intersects with its security interests, such as Angola, which leads Africa as the largest exporter to China (about $19 billion in 2023)[183] and largest debtor to China (about $17 billion in 2024);[184] Angola is another top consideration for a PLA base.

The president's strategy should not seek to counter the PRC dollar-for-dollar or mirror the CCP's global economic footprint. Instead, the president must direct the executive branch to: prioritize its engagement and resources for regions/nations that are essential to U.S. efforts to secure the American economy; prevent the CCP from gaining the global economic advantage; and build new global economic power centers. Informed by insights from the GII, we recommend that the president consider the following policy priorities for each region:

- **Indo-Pacific**—The Indo-Pacific is ground zero for U.S. economic competition with the PRC. Containing the PRC's military operations to the first island chain is vital to the economic and security interests of the U.S., and countering CCP economic coercion is essential to stopping its military expansion. To effectively counter the PRC, it is imperative that the U.S. elevate its economic relationships with Japan, South Korea, Australia, and Taiwan and identify opportunities to expand economic cooperation with India. The U.S. must compete aggressively throughout Southeast Asia—particularly, the Philippines, Vietnam, and Indonesia, as strong U.S. economic engagement would go a long way in advancing U.S. interests but also in degrading PRC influence in the region. The PRC's gains in the Pacific Island nations must be halted and reversed.

- **Central Asia**—As a historical stronghold of Russian influence and growing sphere of influence for Beijing, the ability of the U.S. to compete in Central Asia is limited. If a compelling opportunity does arise for the U.S. to degrade or challenge the PRC's influence in the region, it should be considered but only when there is tangible value to U.S. broader strategic objectives for competition with the PRC.

- **Middle East**—The Middle East has become a strong focus for the PRC as it seeks to build ties with key countries to secure its energy needs—over 35% of China's imported oil passed through the Strait of Hormuz in 2023;[185] in the same year, the second- and third-largest sources of its imported oil were Saudi Arabia and Iraq, respectively[186] —posing a direct threat to the long-standing relationships of the U.S. in the region. As such, the U.S. should work to reestablish and strengthen ties with Middle Eastern nations—particularly, Saudi Arabia and the UAE—to counter the PRC's growing economic and political influence in the region but also to build leverage over the PRC's energy inputs.

- **Europe**—The U.S. cannot win an economic war against the PRC without its European partners and the EU. As such, the U.S. must have the full support of its European allies and partners to build secure and resilient supply chains, deny the PRC capital and access to advanced equipment and technology, and impose economic costs on the PRC, if needed. Likewise, the U.S. must seek to cooperate with Europe in sectors where there are shared interests such as semiconductors, critical minerals, and clean energy technologies. Focus should be given to advanced nations in Western Europe—notably, Germany—that are already starting to harden their policies toward the PRC. The U.S. should commit resources to partner with Scandinavian nations, as they will be key allies in combating PRC efforts in Greenland and the Arctic Circle, as well as denying the PRC advanced semiconductor manufacturing equipment. While the EU is in a similar economic situation to the U.S. regarding the PRC, building the political capital necessary to join forces with capitals across Europe will take a concerted diplomatic and economic effort.

- **Russia**—Moscow's war in Ukraine has driven Russia directly into the hands of Beijing, which is now reaping the economic benefits of being one of Russia's silent partners in Ukraine. While Russia's disastrous war has significantly degraded its military capabilities, making Russia–PRC cooperation less of a military threat, Russia's massive reserves of raw materials could still provide the PRC a significant economic advantage. Where possible, the U.S. should apply pressure on the Russia–PRC bilateral relationship in an attempt to deny the PRC a key source of economic resources.

- **Latin America and the Caribbean**—Latin America is America's backyard and must be defended at all costs. Latin America provides the PRC with the raw materials it needs to continue its economic growth. In addition, the PRC's presence on both sides of the Panama Canal is a significant threat to American security and must be challenged. The U.S. should prioritize engagement with Brazil, Chile, Argentina, Peru, and Panama, but the region as a whole should be a high priority for the U.S., given its near-shoring opportunities and access to raw materials.

- **Africa**—The PRC now has substantial influence in North and sub-Saharan Africa that overshadows U.S. influence across the continent. The U.S. should seek to counter the PRC in Africa by expanding its economic cooperation with key nations. Nigeria, as Africa's largest population and key supplier of critical minerals, should be a focus of U.S. economic strategy in Africa. Given the PRC's dependence on the region, the U.S. should look for every opportunity to challenge, disrupt, or degrade the PRC's ability to extract economic inputs from the continent. Efforts like the U.S.-EU-led Lobito Corridor project,[187] or the approximately $14.2 billion in trade and investment deals made between the U.S. and African nations in 2023, are good first steps.[188]

- **Mexico and Canada**—The U.S. must leverage its existing economic relationships with Canada and Mexico to the fullest. While the two nations sit at very different baselines in how they view the threat of China, both nations present strong opportunities for near-shoring that should be explored for all decoupling efforts. The U.S. must not allow the PRC to gain more influence in either nation or attempt to pry them away from the U.S. sphere of influence.

The diverse nature of these regional priorities demands a varied set of actions to address them. The president must quickly begin the process of establishing a clear plan to act on these priorities, in order to clearly signal that the U.S. is prepared to compete against the PRC globally. Although these efforts will not happen overnight, beginning these processes immediately is critical. Specific actions that we recommend the president take:

- Hold a "virtual summit" with G7 leaders for the president to propose the establishment of a Critical Capabilities Compact between G7 members to harmonize export controls, coordinate outbound investment, and establish Strategic Trade Agreements that reinforce shared supply chains.

- Direct the USTR to review all existing FTAs to determine whether they can be strategically upgraded to secure supply chains in sectors that have been identified in EO 14017, among other documents. In addition, the USTR should be required to identify which countries are essential to the extraction and processing of critical minerals to upgrade existing or pursue new Strategic Trade Agreements—such as the U.S.–Japan Critical Minerals Agreement—to secure America's access to critical minerals.
- Charge the USTR with identifying nations where the U.S. should pursue Bilateral Investment Treaties to enable the growth of alternative supply chains. BITs with Indonesia, Malaysia, and Vietnam should be prioritized with the intent to strengthen investment in critical minerals, and semiconductor production should be prioritized to advance friend-shoring opportunities. However, this process should be caveated, as the identification of viable alternative nations should be deliberate and consider whether the alternatives would still result in the supply chain being entirely located in high-risk regions, and whether this is an acceptable alternative.
- Direct the International Development Finance Corporation (DFC), USTDA, United States Agency for International Development (USAID), and all other relevant departments and agencies to develop a strategy to build critical infrastructure in priority sectors such as telecommunications, air and seaports, energy production and storage, and transportation.
- Appoint effective ambassadors to nations that will be central to America's economic strategy to counter the PRC because of their economic ties and long-standing relationships with the United States. Of particular importance are Japan, South Korea, Australia, the United Kingdom, Germany, and France. Ambassadors should be prioritized for "swing states" that will be vital to U.S. economic efforts, such as Vietnam, Malaysia, and Peru.
- Order USAID, USTDA, and DFC to conduct a cooperative review of all current U.S. development efforts to determine what aligns with the administration's priorities for competition with the PRC. Efforts deemed unrelated should be evaluated for the resource costs versus returns and culled or retooled, as necessary.

But the CCP has not focused exclusively on regional efforts; instead, as it seeks to further its imperialist ambitions, it has looked to build its power in the organizations that bind the world together. Whereas the U.S. has worked to develop a global economic order that is fair and transparent, the CCP has sought to dominate international organizations in order to bend them to its will. The CCP's ongoing efforts in this space require a U.S. strategy explicitly focused on countering the PRC on the global level as well. To deny China greater influence over the international system, the U.S. should seek to reassert itself in a number of major intergovernmental organizations, including the WTO, World Health Organization (WHO), International Monetary Fund, and World Bank. The WHO should be of particular focus, as the PRC's influence within the organization—and the negative consequences of that coercive influence—was clearly demonstrated during the COVID-19 pandemic.[189]

However, major organizations such as these have not been the CCP's only targets of influence-building: standard-setting organizations (SSOs) have been a major focus in the PRC's campaign for greater power in the global system. Beginning in 2015, the PRC launched initiatives with the goal of enhancing Chinese influence in SSOs;[190] these initiatives sought to see the PRC seated in at least half of all SSOs by 2020 and for the PRC to be unquestionably recognized as a "standards power."[191] These efforts were highly effective: between 2005 and 2021, Chinese participation in SSO committees and subcommittees increased by nearly 50%, to 668.[192] And it is not just seeking to participate in these organizations but to lead them: between 2011 and 2020, the PRC's number of secretariat positions in the International Organization for Standardization and International Electrotechnical Commission (two of the largest SSOs) increased by approximately 73% and 67%, respectively.[193] The PRC has especially focused on technical standards: in 2020, the PRC had 110 voting members—more than twice the United States—in the Third Generation Partnership Project, the organization behind setting 5G standards.[194]

ACTION 5

The U.S. cannot accept a global system whose standards are dictated by the PRC and directed by the CCP. The PRC has already shown that it will utilize its influence and coercive power in these organizations to create standards that explicitly favor Chinese manufacturers and companies.[195] The president must act quickly and decisively to reassert the U.S. in these spaces and organizations. The U.S. should use its power to counter the PRC's harmful and power-seeking behaviors. But these organizations are multilateral, so the U.S. cannot expect to turn the tide single-handedly. It will be crucial to enlist allies and partners to assist and support U.S. efforts to right the courses of these influential organizations and prevent the PRC from transforming them into tools to further its own ambitions.

ACTION 6
Build Support in Congress

Action 6: Build Support in Congress

The president cannot successfully execute an economic strategy to beat the PRC without the support of Congress. Despite the president's authority to direct the foreign policy of the U.S., the role that Congress plays in appropriating funds, approving trade, and providing the president the policy tools necessary to compete against the PRC makes Congress central to the president's economic strategy.

Strategic decoupling to secure the American economy is a long-term investment in America's future that can be made possible only if Congress is willing to allocate the necessary resources. The CHIPS and Sciences Act of 2022 exemplifies the level of support from Congress that the president will need. Of the $280 billion in funding provided under the CHIPS Act, however, only $52.7 billion was allocated to help subsidize the growth of America's domestic semiconductor industry, including R&D, construction of semiconductor manufacturing facilities, and tax credits.

Provisions in the IRA partly provided the financial incentive for the U.S. to better compete against the PRC in the clean energy technology and EV sectors. In addition, Congress's authorization of funds under the FY2023 National Defense Authorization Act (NDAA) and later appropriation included funding for a broad range of economic measures to counter the PRC, to include funding for countering the CCP's involvement in the fentanyl supply chain—over $20 million during the next five years—and its influence campaigns, particularly those in Taiwan.[196] But efforts such as these and the CHIPS Act only begin to scratch the surface of the funding required for the U.S. to strategically decouple from the PRC.

The authority granted to Congress by the Constitution "to regulate commerce with foreign Nations"[197] has both the ability to elevate and restrict the America's trade relationship with the PRC. In 2023, the PRC was the U.S. second-largest trading partner—behind only Mexico—and continues to be an attractive market for many U.S. companies looking to gain market share overseas.[198] While the Trump and Biden administrations' efforts to curb the trade imbalance with China have had some impact, the deficit remains high. In 2023, the U.S. deficit with the PRC was approximately $279 billion, as compared with $347 billion in 2016.

The perpetuation of the PRC's unfair trade practices and abuses of the economic privileges that have been accorded to them are, in part, the by-product of Congress granting the PRC Permanent Normal Trade Relations (PNTR), also known as "most favored nations" status, in 2000. This move not only provided the PRC with greater access to the American market but paved the way for its inclusion in the WTO the following year—substantially expanding the PRC's global economic reach. As such, the United States should revisit its decision to grant PNTR status to the PRC.

In addition, Congress's role in providing oversight of the executive branch, coupled with its ability to appropriate funds, makes Congress essential to any effort to restructure the executive branch to be better positioned to compete against the PRC. The 1947 National Security Act remains the prime example of how, in the wake of World War II, Congress reoriented the entire U.S. national security apparatus through legislation to create the Department of Defense, National Security Council, and Central Intelligence Agency.[199] Although wholesale change on the scale of the 1947 National Security Act is likely not needed, the president should work with Congress to restructure the U.S. bureaucracy to position America to address the "whole of government"-level threat that the U.S. faces from the PRC.

Congress's power to ratify bilateral and multilateral trade agreements with foreign countries makes it vital in helping the president achieve the goals identified for an economic strategy to strategically decouple from the PRC. New comprehensive trade agreements, like the 2018 U.S.-Mexico-Canada Agreement (USMCA), will be needed to establish the global power centers required for strategic decoupling. Congress's authority not only to ratify these agreements but to grant the president the power to even negotiate them—through the Trade Promotion Authority (TPA)—will be essential to pursuing such agreements.

The president will need Congress to grant new authorities to deny the CCP its economic security and hold CCP leaders accountable.

ACTION 6

Although the president currently has a robust policy tool-kit that includes sanction, export control, and tariff authorities to wage legal warfare, new authorities will be required to address the expanding threat. A recent example of this is Congress's bipartisan move to limit the threat of TikTok in the U.S., pushing legislation that gives the president the authority to ban TikTok in the U.S. if ByteDance does not divest its stake.[200] Additional tailored authorities, however, will be needed to enable the president to address the economic threat from the PRC and employ measures that will deter—and, if necessary, impose costs on—the PRC.

We recommend that the president engage Congress in the following ways:

- Submit to Congress legislation to establish a new export control regime by creating the Export Control Agency (ECA), which could either: **A)** be a direct report to the Secretary of State similar to USAID; or **B)** report directly to the president, similar to the USTR. The ECA's objective will be to better coordinate U.S. export regimes with foreign policy and national security objectives related to the PRC.

- Present Congress with legislation that would provide the president a menu of policy options that could be used to impose economic costs on the PRC in the event of an act of war against Taiwan.

- Request that Congress grant the president TPA authority to negotiate a multilateral trade agreement for critical minerals.

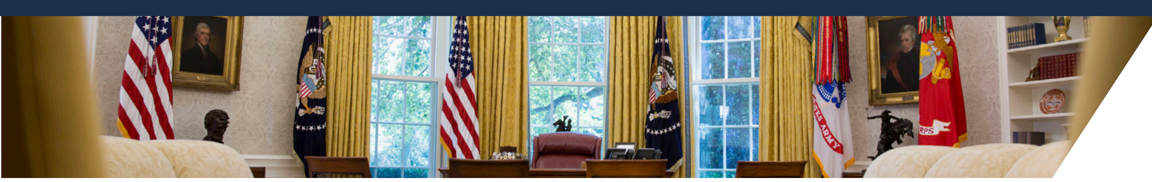
- Task the administration to identify the agencies and programs that will be critical to executing the president's strategy—such as the Defense Production Act Title III program. After targets and funding goals are established, request the identified funding from Congress.

- Work with Congress to quickly confirm priority nominations in departments and agencies that will be critical to the U.S. executing a strategy to beat the PRC.

- Brief Congress on the president's new strategy for economic competition with the PRC, and begin engaging with the appropriate committees to lay the groundwork for the funding that the president will need appropriated to execute the strategy.

ACTION 7

Develop a Communications Strategy



Action 7: Develop a Communications Strategy

With candid clarity and a clear resolve that America can win, the president must address the American people on the direct threat that the PRC poses to the nation and the American way of life. At pivotal, and often painful, moments in our nation's history, past presidents have embodied their leadership role to communicate directly to the American people on the threats that the nation faces, why the U.S. must respond, and what will be asked of them for the U.S. to prevail.

On October 22, 1962, amid the Cuban Missile Crisis, President John F. Kennedy spoke to the "many months of sacrifice and self-discipline" that lay ahead to counter the Soviet threat. Kennedy could ask for such sacrifice because he leveled with the American people, making them aware of the "explicit threat to … peace and security"[201] posed by the Soviet Union's basing of missiles in Cuba. He explained that America must meet this challenge as the "greatest danger of all would be to do nothing."[202] Two decades later, similar messages would be echoed by President Reagan as the Cold War with the Soviets raged on. Both leaders sought the mandate of the American people to do what needed to be done to address "clear and present dangers" to the nation.

The economic threat from the PRC warrants a presidential address. The president must speak directly to the American people, not tangentially through an interview or address to Congress, on the threat that the PRC poses to our nation. Both President Trump and President Biden publicly addressed and identified the PRC as a threat, but neither made the case that sacrifices would be required to address what has become a clear and present danger.

An early presidential address on China would send a powerful message to the American people, to Congress, to the federal bureaucracy, and to the CCP: the United States is now in a cold war with China. Such an address should include specific elements:

- **Identify the Threat**—A PRC led by the CCP has the stated intent to guide the development of a "new international order" that eschews "imposing … values and models"[203] like capitalism and liberal democracy, and one that will "restore [China] to greatness and return its rightful position in the world"[204] —a clear and present danger to the American economy.
- **State the Impact on America**—The erosion of American political, economic, and security interests, as well as physical harm from criminal activity such as supporting fentanyl distribution, that the CCP has inflicted on the American people was premeditated and, if left unaddressed, could end the American way of life as we all know it.
- **Declare the Objective**—That the U.S. will not settle for anything less than securing the U.S. economy from malicious CCP efforts and the denial of all attempts by the CCP to supplant the U.S. as the global leader.
- **Present a Strategy**—America will begin to apply all its national power to strategically decouple from the PRC, wage economic and legal warfare to hold the CCP accountable for its malign actions, and build new global economic power centers free from CCP influence.
- **Acknowledge the Sacrifice**—Economic hardship will be necessary for a time, but that is a small price to pay when the alternative is the ultimate sacrifice of its sons and daughters. Americans must come together to support the neediest among us during this time.

The president must employ the department and agency heads to make the case to the American people. For example, the Secretary of Defense might outline how the PRC is modernizing its military to hold American interests in jeopardy and destabilize global security. The Secretary of Commerce and the Secretary of the Treasury could speak on the harm that the PRC has done to average working families. The USTR can communicate the need for the U.S. to reach Strategic Trade Agreements with partner nations, to ensure that

America's economy, health, and security are never held hostage by the CCP.

The president cannot take the action required to beat the PRC economically without the support of the American people—something that can come only though candid and frank dialogue. Above all, engagement from the president and cabinet officials must be followed by deliberate action to position America for economic victory and follow-on engagements to provide the American people updates on how the threat from the CCP is evolving.

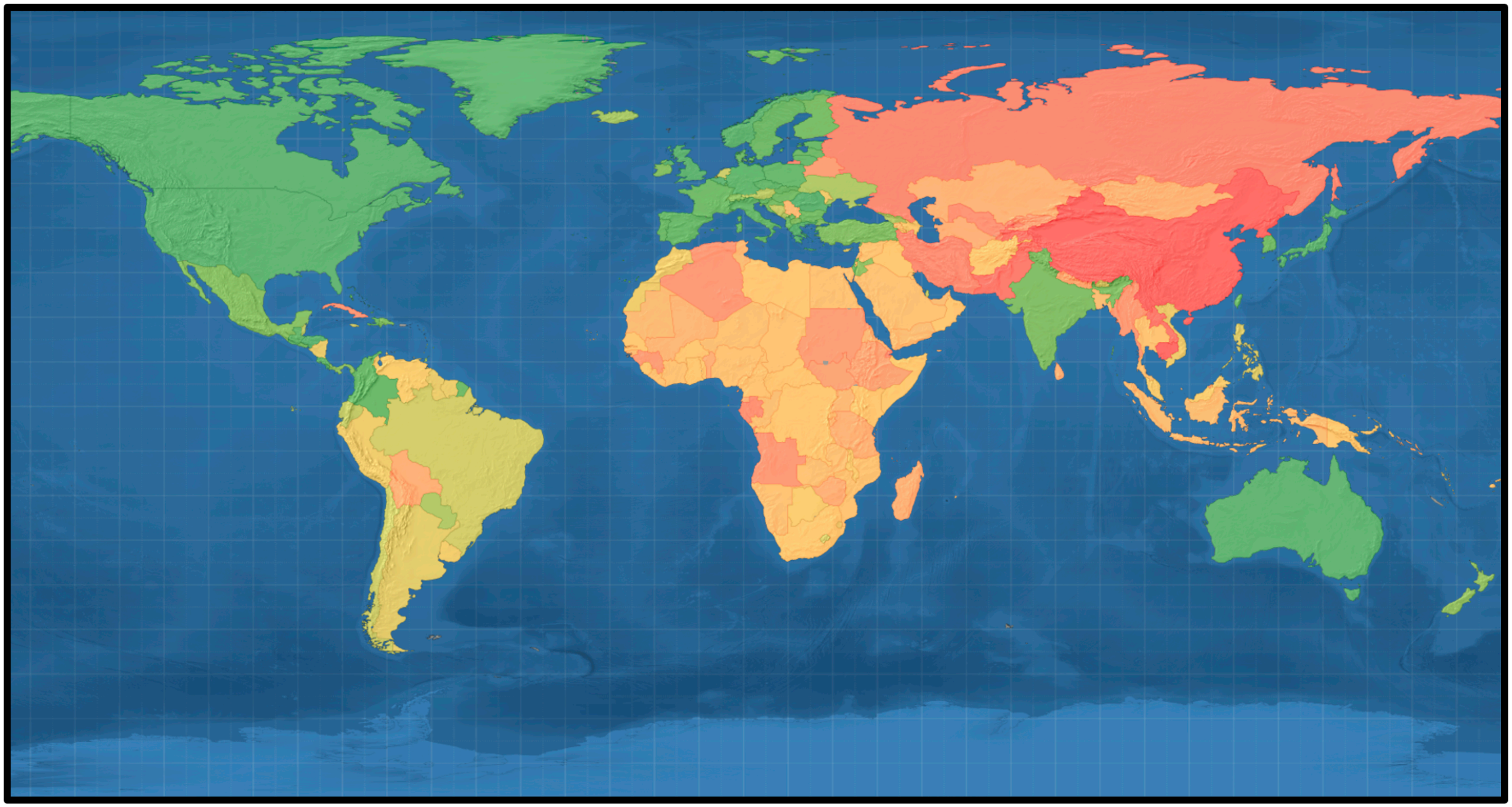
Strong leadership by the president and the cabinet is needed to provide the appropriate level of urgency—the American people must address the threat from the CCP, but they also need the reassurance to deploy a national strategy, which will require sacrifice. The American people are resilient and capable of defeating the CCP, but the president must step up and lead.

APPENDIX

Appendixes

Appendix 1: Global Influence Index Map

The Global Influence Index (GII) is a first-of-its-kind tool developed by the China Economic & Strategy Initiative to measure the influence of both the U.S. and China globally. The GII maps the influence of the U.S. and China in 191 countries by measuring 28 quantifiable variables that are used to build influence across the economic, security, and political spectrum. The GII depicts whether the U.S. or China maintains dominant influence in a given country, by its "GII Score": a positive GII Score indicates stronger U.S. influence, whereas a negative score indicates net Chinese influence



Appendix 2: Global Influence Index Scores

Country Name	U.S.A. Score	China Score	GII Score
Region: Africa			
Algeria	16.06	38.91	-22.85
Angola	12.62	35.44	-22.82
Benin	14.06	28.06	-14
Botswana	15.24	13.53	1.71
Burkina Faso	18.09	21.88	-3.79
Burundi	8.82	18.38	-9.56
Cabo Verde	12.38	19	-6.62
Cameroon	22.47	27.29	-4.82
Central African Republic	15.74	19.03	-3.29
Chad	14.15	19.59	-5.44
Comoros	5.15	21.03	-15.88
Congo	17.62	24.82	-7.21
Côte d'Ivoire	19.79	25.32	-5.53
D.R. Congo	26.21	29.35	-3.15
Djibouti	15.03	41.35	-26.32
Egypt	30.76	36.97	-6.21
Equatorial Guinea	8.82	23.24	-14.41
Eritrea	6.5	17.94	-11.44
Eswatini	18.09	15.65	2.44
Ethiopia	17.71	35.12	-17.41
Gabon	9.94	35.65	-25.71
The Gambia	15.41	20	-4.59
Ghana	16.15	18.38	-2.24
Guinea	13.5	34.85	-21.35
Guinea-Bissau	7.62	15.53	-7.91
Kenya	27.79	30.06	-2.26
Lesotho	20.62	12.12	8.5
Liberia	19.41	24.82	-5.41
Libya	13.44	17.32	-3.88
Madagascar	11.26	24.97	-13.71
Malawi	16.03	15	1.03
Mali	11.15	22.91	-11.76
Mauritania	15.44	24.59	-9.15
Mauritius	20.68	25.12	-4.44
Morocco	27.91	24.06	3.85

Country Name	U.S.A. Score	China Score	GII Score
Region: Africa (Continued)			
Mozambique	17.85	22.65	-4.79
Namibia	15.5	22.47	-6.97
Niger	17.76	24.68	-6.91
Nigeria	20.06	25.82	-5.76
Rwanda	12.65	18.82	-6.18
São Tomé and Principe	14.82	7.62	7.21
Senegal	17.82	21.38	-3.56
Seychelles	12.38	13.44	-1.06
Sierra Leone	18.5	20.29	-1.79
Somalia	17.15	17.44	-0.29
South Africa	24.56	26.71	-2.15
South Sudan	7.88	26.21	-18.32
Sudan	9.18	29.44	-20.26
Tanzania	22.15	35.03	-12.88
Togo	19.71	22.94	-3.24
Tunisia	15.03	24.56	-9.53
Uganda	12.47	22.85	-10.38
Zambia	17.59	24.88	-7.29
Zimbabwe	13.03	27.32	-14.29

Country Name	U.S.A. Score	China Score	GII Score
Region: Asia			
Armenia	16.91	21.53	-4.62
Azerbaijan	20.06	19.03	1.03
Bangladesh	22	30.06	-8.06
Bhutan	15.82	8.32	7.5
Brunei	12.85	31.24	-18.38
Cambodia	14.24	61.59	-47.35
Cyprus	21.41	16.12	5.29
Georgia	29.65	14.47	15.18
India	46.59	19.21	27.38
Indonesia	33.26	40.65	-7.38
Japan	67.68	15.97	51.71
Kazakhstan	22.44	35.74	-13.29
Kyrgyzstan	11.94	31.41	-19.47
Laos	13.88	49.06	-35.18
Malaysia	34.97	33.12	1.85
Maldives	13.5	22.24	-8.74
Mongolia	25.26	37.44	-12.18
Myanmar	16.35	38.21	-21.85
Nepal	20.85	35.41	-14.56
North Korea	1.62	54.94	-53.32
Pakistan	25.24	60.32	-35.09
The Philippines	47.15	39.79	7.35
Singapore	41.18	40.74	0.44
South Korea	59.56	27.68	31.88
Sri Lanka	25.5	38.79	-13.29
Taiwan	43.44	7.79	35.65
Tajikistan	13.68	50	-36.32
Thailand	40.26	45.5	-5.24
Timor-Leste	15.44	15.47	-0.03
Turkmenistan	14.26	28.35	-14.09
Uzbekistan	13.71	39.47	-25.76
Vietnam	39.15	35.03	4.12

Country Name	U.S.A. Score	China Score	GII Score
Region: Europe			
Albania	44.56	11.65	32.91
Austria	29.24	15.65	13.59
Belarus	7.47	27.06	-19.59
Belgium	62.41	15.24	47.18
Bosnia and Herzegovina	32.24	20.35	11.88
Bulgaria	47.82	15.82	32
Croatia	42.56	12.18	30.38
Czechia	49.32	9.56	39.76
Denmark	48.12	13.65	34.47
Estonia	46.88	10.26	36.62
Finland	43.76	14.15	29.62
France	56.12	22	34.12
Germany	63	21.24	41.76
Greece	57.62	12.97	44.65
Hungary	46.74	14.79	31.94
Iceland	33.88	16	17.88
Ireland	41.44	15.65	25.79
Italy	60.47	21.76	38.71
Kosovo	33	1.59	31.41
Latvia	47.03	12	35.03
Lithuania	49.41	11.18	38.24
Luxembourg	46.06	12.26	33.79
Malta	29.59	16.79	12.79
Moldova	13.62	10.35	3.26
Montenegro	34.18	18.65	15.53
The Netherlands	27.35	16.97	10.38
North Macedonia	38.21	12.47	25.74
Norway	62.5	18.44	44.06
Poland	58.26	18.82	39.44
Portugal	58.97	23.29	35.68
Romania	60.18	15	45.18
Russia	13.24	42	-28.76
Serbia	19.12	28.53	-9.41
Slovakia	49	14.32	34.68
Slovenia	45.12	8.35	36.76
Spain	56.79	19.09	37.71
Sweden	48.53	13.91	34.62
Switzerland	42.85	18.94	23.91
Ukraine	34.53	18.38	16.15
United Kingdom	73.47	19.59	53.88

Country Name	U.S.A. Score	China Score	GII Score
Region: Latin America & Caribbean			
Antigua and Barbuda	20.29	8.79	11.5
Argentina	33	26.65	6.35
Bahamas	45.85	11.44	34.41
Barbados	36.47	16.21	20.26
Belize	27.44	14.06	13.38
Bolivia	14.32	28.15	-13.82
Brazil	45.91	36.47	9.44
Chile	40.76	30.41	10.35
Colombia	53.82	16.91	36.91
Costa Rica	56.74	15.62	41.12
Cuba	15.12	38.29	-23.18
Dominican Republic	44.12	18.24	25.88
Ecuador	32.56	20.44	12.12
El Salvador	50.56	18.79	31.76
French Guiana	56.12	22	34.12
Grenada	25.35	21	4.35
Guatemala	53.03	12.94	40.09
Guyana	26.12	21.26	4.85
Haiti	40.03	8.21	31.82
Honduras	62.94	13.82	49.12
Jamaica	28.74	20.29	8.44
Mexico	51.53	26.53	25
Nicaragua	23.79	19	4.79
Panama	44.53	22.5	22.03
Paraguay	33.85	18.12	15.74
Peru	38.09	34.12	3.97
Saint Lucia	18.06	6.09	11.97
Saint Vincent and the Grenadines	25.65	8.44	17.21
Suriname	21.74	16.97	4.76
Trinidad and Tobago	40.09	21.91	18.18
Uruguay	30.06	26.41	3.65
Venezuela	32.29	30.21	2.09

Country Name	U.S.A. Score	China Score	GII Score
Region: Middle East			
Afghanistan	19.85	22.82	-2.97
Bahrain	29.03	20.97	8.06
Iran	1.59	28.91	-27.32
Iraq	29.68	31.88	-2.21
Israel	50.65	15.41	35.24
Jordan	39.97	17.71	22.26
Kuwait	29.06	31.97	-2.91
Lebanon	16.26	22	-5.74
Oman	25.74	28.94	-3.21
Palestinian Territories	3.85	7.41	-3.56
Qatar	33.5	21.62	11.88
Saudi Arabia	27.91	34.09	-6.18
Syrian Arab Republic	9.91	14.94	-5.03
Türkiye	48.21	22.06	26.15
United Arab Emirates	29.65	38.29	-8.65
Yemen	11.59	19.97	-8.38
Region: North America			
Canada	77.82	13.29	64.53
Greenland	53.12	8.88	44.24
Region: Oceania			
Australia	69.12	20.47	48.65
Fiji	20.15	23.09	-2.94
Kiribati	14.97	17.35	-2.38
Marshall Islands	59.38	16.62	42.76
Micronesia	38.32	9.15	29.18
Nauru	23.47	6.03	17.44
New Zealand	49.21	27.82	21.38
Palau	33.32	9.32	24
Papua New Guinea	23.5	24.15	-0.65
Samoa	18.65	27.97	-9.32
Solomon Islands	13.24	23.88	-10.65
Tonga	14.76	20.03	-5.26
Tuvalu	17.29	8.88	8.41
Vanuatu	16.74	14.09	2.65

Appendix 3: Authorities Matrix

Authorities Matrix					
Policy Tool Name	Designation Authorit(y/ies)	Implementation Authorit(y/ies)	Authority Target	Authority Action	Policy Gaps/Issues
Countering America's Adversaries Through Sanctions Act (CAATSA)	INTERAGENCY: Department of Treasury [sanctions], Department of State [determinations, waivers, visa restrictions]	INTERAGENCY: Department of Treasury (Office of Foreign Assets Control), Department of State	Targets persons and entities engaging in "significant transactions" of military hardware and intelligence sectors from Russia, DPRK, and Iran; this applies to persons and entities both inside and outside the named countries.	Expands and strengthens existing sanctions placed on Russia, DPRK, and Iran. Sanctions: Freeze assets, block property transfers/transactions, visa restrictions/bans against designated persons. Designations will be listed on the Specially Designated Nationals (SDN) list.	
Chinese Military-Industrial Complex (CMIC) Companies List	Department of Treasury, formerly Department of Defense under the discontinued Communist Chinese Military Companies (CCMC) List	Department of Treasury (Office of Foreign Assets Control)	Chinese firms that are part of China's military-industrial complex and pose a national security threat to the U.S.	Prohibits U.S. persons from investing or U.S. funds/mutual funds to hold publicly traded securities with designated firms on the CMIC list.	CMIC list only covers companies that are identified and not their subsidiaries (at least not automatically). There is also a lack of alignment between the CMIC list and the Commerce Entity List, as well as other authorities like the MEU list and the DoD's October 2022 CCMC List.

Department of Defense's "Chinese Military Companies List" (Section 1260H of the FY21 NDAA)	Department of Defense	Department of Defense	An entity affiliated with the People's Liberation Army or any organization subordinate to the Central Military Commission of the Chinese Communist Party. An entity identified as a military-civil fusion contributor to the Chinese defense industrial base and engaged in providing commercial services, manufacturing, producing, or exporting.	The Secretary of Defense must identify and publish an annual list of Chinese military companies operating directly or indirectly in the United States.	The list is smaller in scope, compared with the previous CCMC list, even though the FY21 NDAA expanded the definition of what constitutes a Chinese military company. The list does not provide any authority to the DoD to take action against these companies.
Global Magnitsky Act	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Persons and entities that have committed or help to commit "gross human rights violations." Government officials complicit in the actions of "significant corruption."	Sanctions: Freeze assets, block property transfers/transactions, revoke visas. Designated persons will be listed on the SDN list as [GLOMAG]	GLOMAG is not robustly used against Chinese companies, especially those using forced labor or providing surveillance capabilities to oppressive regimes, such as Iran or corrupt regimes in Africa.
Weapons of Mass Destruction Proliferators Sanctions Regulations (NPWMD)	Department of Treasury, State Department	Department of Treasury (Office of Foreign Assets Control)	Persons and entities that have engaged or attempted to engage in activities or transactions that have materially contributed to the proliferation of WMDs (State Designation). Persons providing financial, material, technological, and other support for goods and services that support transactions related to the proliferation of WMDs (Treasury Designation).	Sanctions: Freeze assets, block property transfers/transactions (contribution or receipt of contribution of funds, goods, services associated with authority). Designated persons will be listed on the SDN list as [NPWMD].	There is precedent use of this authority to target Chinese companies involved in supporting nuclear proliferation efforts in other countries like Iran and DPRK. Coordination with the intelligence community could be leveraged to determine whether OFAC is able to broaden this scope to designate additional Chinese entities, including research institutes like the China Academy of Engineering Physics (CAEP).

Malicious Cyber Activities EOs 13694 and 13757	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Persons and entities involved in a wide variety of cyber activities, including attacks on critical infrastructure; disabling computers/networks; misappropriating or benefiting from the theft of economic resources and acquisition of trade secrets (for commercial or private gain); and undermining election processes.	Sanctions: Freeze assets, block property transfers/transactions (contributions or receipts of funds, goods, services associated with persons), ban entry into the U.S. Designated persons will be listed on the SDN list as [CYBER2]. Providing prior notice to designees is not required.	The theft/exploitation of data for military and other uses is not elaborated in the authority's purview. More needs to be done to determine whether this EO provides enough broad authority to target China's efforts to steal data for malign use.
Global Terrorism Sanctions Regulations (SDGT)	INTERAGENCY: Department of Treasury, Department of State	Department of Treasury (Office of Foreign Assets Control)	Persons or entities that have committed or attempted to commit or pose a risk of committing acts of terrorism that threaten U.S. nationals, national security, foreign policy, and the economy (State Designation). Persons and entities that control or have supported or acted on behalf of those committing acts of terrorism (Treasury Designation). This does not include designations for foreign states.	Sanctions: Block property transfers/transactions, prohibitions on security dealings. Designated persons will be listed on the SDN list as [SDGT].	

Department of Defense's "Chinese Military Companies List" (Section 1260H of the FY21 NDAA)	Department of Defense	Department of Defense	An entity affiliated with the People's Liberation Army or any organization subordinate to the Central Military Commission of the Chinese Communist Party. An entity identified as a military-civil fusion contributor to the Chinese defense industrial base and engaged in providing commercial services, manufacturing, producing, or exporting.	The Secretary of Defense must identify and publish an annual list of Chinese military companies operating directly or indirectly in the United States.	The list is smaller in scope, compared with the previous CCMC list, even though the FY21 NDAA expanded the definition of what constitutes a Chinese military company. The list does not provide any authority to the DoD to take action against these companies.
Global Magnitsky Act	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Persons and entities that have committed or help to commit "gross human rights violations." Government officials complicit in the actions of "significant corruption."	Sanctions: Freeze assets, block property transfers/transactions, revoke visas. Designated persons will be listed on the SDN list as [GLOMAG]	GLOMAG is not robustly used against Chinese companies, especially those using forced labor or providing surveillance capabilities to oppressive regimes, such as Iran or corrupt regimes in Africa.
Weapons of Mass Destruction Proliferators Sanctions Regulations (NPWMD)	Department of Treasury, State Department	Department of Treasury (Office of Foreign Assets Control)	Persons and entities that have engaged or attempted to engage in activities or transactions that have materially contributed to the proliferation of WMDs (State Designation). Persons providing financial, material, technological, and other support for goods and services that support transactions related to the proliferation of WMDs (Treasury Designation).	Sanctions: Freeze assets, block property transfers/transactions (contribution or receipt of contribution of funds, goods, services associated with authority). Designated persons will be listed on the SDN list as [NPWMD].	There is precedent use of this authority to target Chinese companies involved in supporting nuclear proliferation efforts in other countries like Iran and DPRK. Coordination with the intelligence community could be leveraged to determine whether OFAC is able to broaden this scope to designate additional Chinese entities, including research institutes like the China Academy of Engineering Physics (CAEP).

Malicious Cyber Activities EOs 13694 and 13757	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Persons and entities involved in a wide variety of cyber activities, including attacks on critical infrastructure; disabling computers/networks; misappropriating or benefiting from the theft of economic resources and acquisition of trade secrets (for commercial or private gain); and undermining election processes.	Sanctions: Freeze assets, block property transfers/transactions (contributions or receipts of funds, goods, services associated with persons), ban entry into the U.S. Designated persons will be listed on the SDN list as [CYBER2]. Providing prior notice to designees is not required.	The theft/exploitation of data for military and other uses is not elaborated in the authority's purview. More needs to be done to determine whether this EO provides enough broad authority to target China's efforts to steal data for malign use.
Global Terrorism Sanctions Regulations (SDGT)	INTERAGENCY: Department of Treasury, Department of State	Department of Treasury (Office of Foreign Assets Control)	Persons or entities that have committed or attempted to commit or pose a risk of committing acts of terrorism that threaten U.S. nationals, national security, foreign policy, and the economy (State Designation). Persons and entities that control or have supported or acted on behalf of those committing acts of terrorism (Treasury Designation). This does not include designations for foreign states.	Sanctions: Block property transfers/transactions, prohibitions on security dealings. Designated persons will be listed on the SDN list as [SDGT].	

Foreign Narcotics Kingpin Sanctions Regulations (SDNTK)	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Specially designated narcotics traffickers. Significant foreign narcotics traffickers (persons and entities). Those assisting, supporting, controlling, owned by, or acting on behalf of specially designated narcotics traffickers Those found to have a significant role in trafficking. This does not include designations for foreign states.	Sanctions: Block property transfers/transactions; prohibit any security dealings in U.S. possession; prohibit the making or receipt of any contribution or provision of funds, goods, or services by, to, or for/from any target. Designated persons will be listed on the SDN list as [SDNTK].	This authority has been used previously to target Chinese entities involved in fentanyl drug trafficking, such as Qinsheng Pharmaceutical Co., Ltd. in 2019. This authority should be closely coordinated with the Biden administration's new EO 14059 to broaden the scope of criteria for Chinese companies involved in fentanyl trafficking.

Syria, Iran, and North Korea Non-Proliferation Act (INKSNA)	Department of State	Department of State	Foreign persons proliferating, transferring to, or acquiring WMD materials from DPRK, Iran, or Syria. Persons or entities proliferating technology on multilateral control lists (Missile Technology Control Regime, Australia Group, Chemical Weapons Convention, Nuclear Suppliers Group, Wassenaar Arrangement). Persons and entities found to transfer equipment or technology with the potential to make a material contribution to the development of WMD or cruise or ballistic missile systems, including those below parameters of, but similar to, items on multilateral control list with aforementioned potential; items that are on U.S. control lists but not on multilateral lists; other items that have aforementioned potential.	Place arms/dual-use export prohibitions on those designated for proliferating technology on control lists. Sanctions against those designated for transferring items able to contribute to noted weapons.	Chinese entities have previously been sanctioned under this authority in support of WMD proliferation associated with DPRK, Iran, and Syria.

Bolstering Efforts to Bring Hostages and Wrongfully Detained United States Nationals Home (EO 14078)	INTERAGENCY: Department of Treasury, Department of State	INTERAGENCY: Department of Treasury (Office of Foreign Assets Control), Department of State, Department of Homeland Security	Foreign persons and entities responsible for, or complicit in, the hostage-taking or the wrongful detention of a U.S. national abroad or an attempt to conduct such activities (State Designation). Persons and entities that have or have attempted to materially assist, sponsor, or provide financial, material, or technological support for the hostage-taking and wrongful detention of U.S. nationals abroad or any person whose property is blocked pursuant to the EO (Treasury Designation).	Sanctions: Freeze assets, block property transfers/transactions, revoke visas and U.S. entry (State/DHS Action).	This EO is broad in scope and was used to target Russia and Iran in April 2023. This authority could be applied to current wrongful detentions of U.S. nationals in China.
Global Illicit Drug Trade (EO 14059)	Department of Treasury	INTERAGENCY: Department of Treasury, Department of State	Persons or entities that have provided, or attempted to provide, financial, material, or technological support for the international proliferation of illicit drugs or their means of production.	Sanctions: Block property transfers/transactions, prohibit transfers of credit or payments, prohibit foreign-exchange transactions, prohibit receipt of loans/credit.	

Transnational Criminal Organizations Sanctions Regulations (TCO)	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Entities that fall under one of three criteria: 1. They are "significant transnational criminal organizations," which are defined as a group that "engages in or facilitates an ongoing pattern of serious criminal activity involving the jurisdictions of at least two foreign states, or one foreign state and the United States; and that threatens the national security, foreign policy, or economy of the United States." 2. Entities that have provided support/assistance to or sponsored a significant transnational criminal organization. 3. Entities that are owned/controlled by, or act on behalf of, transnational criminal organizations.	Sanctions: Block property transfers/transactions; prohibit contribution or provision of funds, goods, or services to any of the targets; prohibit receipt of any contributions of funds, goods, or services from any of the targets; prohibit any dealings in securities in the name of, for the benefit of, or issued by, a target; restrict funds and investments. Designated persons will be listed on the SDN list as [TCO].	Only two Chinese persons/entities are listed as TCO—for wildlife and drug trafficking. This authority could be expanded to target Chinese illicit activities across several countries, including intellectual property theft and illegal fishing.

Section 311 of the Patriot Act	Department of Treasury	Department of Treasury (Office of Foreign Assets Control)	Institutions engaging in money laundering. Domestic financial institutions/agencies, indirectly, as they will be forced to take "special measures" if the suspect institutions/transactions are outside U.S. jurisdiction.	Require domestic financial institution or agency to maintain records, file reports, and identify and obtain information concerning individual or aggregate transactions involved with the target; beneficial ownership of any account opened or maintained in the U.S. by foreign persons, or their representative involved with the target; payable-through accounts involved with the target; correspondent accounts involved with the target. Prohibit, or otherwise place conditions on, domestic institutions from opening or maintaining an account with the target.	

Immigration and Nationality Act (INA) Sections 212, 235, 236, and 237	INTERAGENCY: Presidential Authority, Department of Justice, Department of State	INTERAGENCY: Department of Justice, Department of State	For 212: Any alien(s) designated by the president (for any duration) to be "detrimental to the interests of the U.S." For 236: Individuals meeting criteria of 212, 235, or 237. For 237: Persons who fulfill one of the following criteria: At the time of entry to the U.S. or adjustment of their immigration status, would be inadmissible under existing law; are convicted of a state, federal, or foreign law relating to a controlled substance; are convicted of espionage, sabotage, sedition, violating of any provision of the Military Selective Service Act or the Trading with the Enemy Act; engaged "in any other criminal activity which endangers public safety or national security" before or after admission to the U.S.; are convicted of violating FARA or falsifying or attempting to falsify Section 1546 of Title 18 (fraud and misuse of visas, permits, and other entry documents).	Under Section 212: Block "inadmissible aliens" from receiving visas or legally entering the U.S. Under Section 235: Remove individuals arriving in the U.S. who would be ineligible for entry under Section 212 (AG/Immigration Action). Under Section 236: Arrest and detain, upon issuance of a warrant, individuals (AG Action). Under Section 237: Deport individuals (AG Action).	For General Definition: Persons defined as "aliens" (any person who is not a citizen or national of the U.S.) who pose a danger to U.S. public safety and national security. Actions undertaken by such persons to pose this danger include human rights violations, criminal activities like drug trafficking and money laundering, and national security threats to the U.S.

International Traffic in Arms Regulations (ITAR)	Department of State (Directorate of Defense Trade Controls)	INTERAGENCY: Department of State, Department of Homeland Security	Relevant U.S. defense articles based on the United States Munitions List (USML).	Subject articles to temporary import/export restrictions unless a license is granted by State. Inspect any vessel, aircraft, or vehicle, and investigate/detain any found exports/attempted exports of defense items (DHS ICE/CBP Action). Seize articles being exported in violation and seize the means of exporting them. Punish persons violating ITAR with prison time and fines.	
The President's Executive Order on Hong Kong Normalization (EO 13936)	INTERAGENCY: Department of Treasury, Department of State	INTERAGENCY: Department of Treasury, Department of State	Hong Kong's special economic preferential treatment status with the U.S., including preference for Hong Kong passport holders, license exceptions for exports to Hong Kong, licensing suspensions under the Foreign Relations Authorization Act, and more. Persons involved, directly or indirectly, in eroding Hong Kong's democracy, freedom, and human rights, whether through China's HK National Security Law or other means.	Terminate all privileges granted by special economic preferential treatment status. Sanctions (for designated persons under this EO): freeze assets; block property transfers/transactions; prohibit contributions or receipt of funds, goods, and services associated with the target; deny targets and their family members entry into the U.S. Designated persons will be listed on the SDN list as [HK-EO13936].	Needs renewal every year (extended to July 2023 currently). Its sanction authority has not been used since July 2021 and targets only Hong Kong and Chinese government officials, despite its broad scope, which can include government and corporate entities. This authority could be more widely used to target such entities that continue to undermine Hong Kong's democratic rule.

Uyghur Human Rights Policy Act of 2020	Presidential Authority	INTERAGENCY: Department of Treasury, Department of State	Foreign persons, including PRC government officials, who are determined to be responsible for gross human rights abuses against Uyghurs and other Muslim minority groups in the Xinjiang region, including torture, cruel and inhumane treatment or punishment, prolonged detention, and the disappearance of persons through abduction and clandestine detention. Those who violate, attempt to violate, conspire to violate, or cause a violation of sanctions imposed through the act.	Require the president to submit a report to Congress at least once a year that identifies persons responsible for human rights abuses against Uyghurs and other Muslim minority groups in the Xinjiang region. Require the president to impose sanctions on those identified, including freezing assets, blocking eligibility for visas, admission, or parole in the United States. Punish individuals with violation-related offenses with prison time and/or fines.	The executive branch has yet to impose any sanctions using this authority.

Export Administration Regulations (EAR)	Department of Commerce	Department of Commerce (Bureau of Industry and Security)	Sensitive/dual-use U.S. technology, data, and commodities that have an impact on the national security, foreign policy, nonproliferation of WMD, and other interests of the U.S. Specific items under the Commerce Control List deemed important to national security/foreign policy. Specific individuals/entities under the Entity List (+Unverified List) and Military End User List, based on actions contrary to U.S. national security and foreign-policy interests. Entire countries, at designation discretion of Commerce. Those who violate, attempt to violate, conspire to violate, or cause a violation of EAR regulations. Items covered by other departments/tools (ITAR, Office of Foreign Asset Control, etc.) are NOT affected by EAR.	Require those designated under the CCL, EL/UL, and Military End User list to obtain a license (if possible) to be allowed involvement in the export process of specified items. Require designated countries to obtain a license to export/reexport EAR-designated, "lower-concern" items. Punish individuals with violation-related offenses with substantial fines, export privilege restrictions, loss of ability to contract with federal agencies, prison time, and forfeited assets seized pursuant to export controls.	Commerce produced a final list of critical "emerging and foundational technologies" required by the Export Control Reform Act of 2018 (ECRA) (Section 1758) that is too narrow in scope. Additional designations are needed to make this list more useful to protect sensitive U.S. technologies from being exported to China.

Racketeer Influenced and Corrupt Organizations Act (RICO)	Department of Justice	Department of Justice	Persons and entities engaging in or receiving any income derived, directly or indirectly, from two or more "racketeering activities" (defined as a broad range of illicit /fraudulent transactions).	Enforce punishments of up to 20 years in prison, fines, and forfeiture of any interest/security/stake in any enterprise involved in the violation. Subject any assets acquired directly or indirectly through racketeering (including assets transferred from a racketeer to an entity not involved in racketeering) to forfeiture.	Criminal theft of intellectual property is considered a predicate offense under RICO, which was used to indict Huawei in 2020. This framework could be applied for a civil RICO action if a private party could establish the same elements as a criminal RICO.
18 USC 951 (Agents of Foreign Governments)	Department of Justice	Department of Justice	"Foreign agents" operating in the U.S. without prior notification to the attorney general. "Foreign agent" is defined as "an individual who agrees to operate within the United States subject to the direction or control of a foreign government or official." "Foreign agent" excludes diplomatic or consular officers/attachés and their staff, as well as certain entities engaged in commercial transactions.	Punish targets with fines and/or imprisonment of up to 10 years.	

Foreign Agents Registration Act (FARA)	Department of Justice	Department of Justice	Individuals and entities whose activities are sponsored or controlled either directly or indirectly ("foreign agent") by a foreign government, political party, or entity ("foreign principal").	the following activities to the DoJ: 1. Political activities, defined as activities intended to influence an agency or official of the U.S. government (USG); or the U.S. public. Influence efforts target domestic/foreign policy, or the political or public interests, policies, or relations of a government of a foreign country, or a foreign political party. 2. Providing political consulting or public relations services. 3. Soliciting, collecting, or dispersing money or other things of value. 4. Representing interests before any official or agency of the USG. File criminal cases against individuals or entities that "willfully" fail to register under the FARA or that provide false or incomplete information to the DoJ; generally, offenders subject to up to five years in prison and a fine of up to $10,000. File civil cases against parties found to have "sufficient credible evidence of a significant violation" of FARA, and file injunction to force the party to register under the FARA, generally without other penalties.	1. Agents of foreign businesses and nonprofits engaging in commercial/nonpolitical activities are exempt from reporting. SOEs can claim this exemption. 2. If an agent registers under the Lobbying Disclosure Act (LDA), the agent can avoid FARA registration. LDA has fewer reporting requirements and is less stigmatized, though this isn't available to agents whose "primary beneficiaries" are foreign governments/political parties—an unclear designation. U.S. lobbying firms used this exemption to delay registering PR work for Hikvision when it was facing sanctions and other restrictions. 3. DoJ has rarely forced agents to register under FARA, making it difficult for the FBI to receive approval to press FARA charges on potential offenders. 4. Courts have ruled that agents are not required to register under FARA retroactively, i.e., if an agent no longer has a relationship with the foreign principal. This can be falsely claimed, and then activities will not be mandated to be reported. Bipartisan legislation introduced in Congress in July 2023 titled "Retroactive Foreign Agents Registration Act" attempts to address this loophole.

18 USC 1030 (Fraud and Related Activity in Connection With Computers)	Department of Justice	Department of Justice	Individuals and entities that have attempted or conspired to do any of the following: 1. Knowingly access a computer without authorization and obtain info determined to be unauthorized disclosed national security/foreign relations information that could be used to cause injury to the U.S., and then directly or indirectly communicate, deliver, transmit, or retain such information. 2. Intentionally access a computer without authorization and obtain financial records or other information from any protected computer of a U.S. department/agency. 3. Intentionally, without authorization, access any nonpublic computer that is exclusively for the use of USG. 4. Knowingly access a protected computer and conduct fraud/obtain anything of value (with exceptions). 5. Knowingly cause damage to a protected computer. 6. Intentionally seek to "defraud traffics" through a computer without authorization, affecting interstate or foreign commerce, when the computer is used by or for USG. 7. Intend to extort money or value from a person, transmitting in interstate or foreign commerce any communication that contains a threat to cause damage to a protected computer or a threat to obtain information from a protected computer without authorization.	Punish targets with fines and/or imprisonment, depending on the nature and number of offenses committed.	This authority could be applied to the hacking of U.S. government computers by a Chinese person or entity.

Economic Espionage Act of 1996 (18 USC 1831-37)	Department of Justice	Department of Justice	Persons and entities that commit or attempt/conspire to commit economic espionage and trade-secret theft for the benefit of a foreign government.	Punish individuals with fines up to $5 million per offense and imprisonment of up to 15 years for individuals. Punish organizations that commit economic espionage or trade theft with fines up to $10 million, or three times the value of the stolen trade secrets.	
Antidumping and Countervailing Duty Proceedings (AD/CVD) (Tariff Act of 1930)	Department of Commerce	INTERAGENCY: Department of Commerce (International Trade Agency), Department of Homeland Security (CBP)	Individuals and entities engaging in foreign dumping practices and subsidization of imports that negatively affects the U.S. economy (causing or threatening material injury to an industry in the U.S. or hindering the establishment of an industry in the U.S.).	Initiate and conduct investigations into suspected targets (Commerce Action). Impose AD/CVD orders/duties on targeted imports following investigation.	

Section 301 (Trade Act of 1974)	United States Trade Representative (USTR)	United States Trade Representative (USTR)	Foreign countries engaging in trade policies or actions deemed to be causing an "unjustifiable" burden on the U.S. economy. Such policies/actions include: 1. Violating/Denying U.S. rights under a trade agreement 2. "Unjustifiable," "unreasonable," or "discriminatory" actions that "burden or restrict" U.S. commerce.	Initiate investigations into potential injured goods/economic sectors and necessary remedies. Initiation can be triggered by the agency, via petition from industry, or by direction from the president. Carry out any/all of the following trade remedies: 1. Suspend, withdraw, or prevent application of trade agreement concessions 2. Impose duties, fees, and other import restrictions on goods and services 3. Withdraw or suspend preferential duty treatment 4. Enter binding agreements that force the foreign country to terminate or phase out the targeted policy or actions affecting U.S. commerce, or compensate the U.S. with sufficient trade privileges 5. Restrict or deny federal permits or other authorizations.	

Section 201 (Trade Act of 1974)	International Trade Commission	Presidential Authority	Imports in large quantities that cause "substantial" harm to a U.S. domestic industry (and the source of said imports).	Grants the president power to enact any number of the following remedies: 1. Increase/impose duties on the targeted import 2. Declare a tariff-rate quota 3. Declare a change or an imposition of any quantitative restriction on the imported article into the U.S. 4. Implement adjustment measures, including worker assistance 5. Negotiate, conclude, or execute agreements with foreign countries "limiting the exports from foreign countries and the import into the U.S. of such article" 6. Regulate import licensing of the article 7. Initiate international negotiations to address the underlying causes of the import issues 8. Submit to Congress legislative proposals to improve competition on the article 9. Take any other action deemed appropriate.	These tariffs are temporary and require extensions every four years. For example, the Biden administration in late 2022 extended Trump-era four-year tariffs on solar panel materials.

Section 232 (Trade Expansion Act of 1962)	Department of Commerce	Department of Commerce	Imports in large quantities that threaten to impair U.S. national security (and the source of said imports).	Initiate investigations into the effects of an import of articles of concern on national security. Initiation can be triggered by a request from any agency/ department head, application by an interested party, or by motion of the Secretary of Commerce. After target is identified and the president concurs on this identification, the president is given the power to adjust import quotas and "take such other actions as the president deems necessary to adjust the imports of such article so that such imports will not threaten to impair the national security."	
Section 337 (Tariff Act of 1930)	International Trade Commission	INTERAGENCY: International Trade Commission, Department of Homeland Security (Customs and Border Patrol)	Imports infringing on U.S. patents, intellectual property, copyright registrations, and trade trademarks, with the aim to destroy or substantially injure a U.S. industry, prevent the establishment of an industry, or restrain and/or monopolize trade and commerce into the U.S. (and the source of said imports).	Initiate investigation to identify whether an import reaches target threshold for this authority (ITC Action). Direct certain imported articles to be excluded from entry into the U.S. either during (temporarily) or following investigation (ITC Action). Issue cease-and-desist orders (and fine violators). Order targeted articles to be seized/forfeited (in certain circumstances).	Authority is limited to persons unless the International Trade Commission determines that a general exclusion from entry is necessary or if a pattern of violations makes it difficult to identify the source of infringing products.

Section 338 (Tariff Act of 1930)	Presidential Authority	INTERAGENCY: International Trade Commission, Department of Treasury	Imports from foreign countries that directly or indirectly discriminate and place U.S. commerce at an unfair advantage compared with other countries (and the source of said imports).	Issue a presidential proclamation that imposes new or additional duties worth up to 50% of the value of the imports. Issue a presidential proclamation (after the first one is deemed ineffective in resolving the issue) that blocks imports of concern from entering the U.S. Punish violations of the second proclamation with forfeiture and seizure of the offending articles and prosecute the individuals/entities responsible.	
Section 122 (Trade Act of 1974)	International Trade Commission	Presidential Authority	Imports that affect U.S. balance-of-payment deficits and/or pose a risk of causing significant dollar depreciation (and the source of said imports).	Enact a temporary import surcharge up to 15% in duties, enact quotas, or both.	Tariffs last for only 150 days, unless Congress approves an extension. The authority has never been used.
Section 406 (Trade Act of 1974)	International Trade Commission	Presidential Authority	Imports that come from a communist country and affect U.S. balance-of-payment deficits, disrupt a domestic market, and/or pose a risk of causing significant dollar depreciation (and the source of said imports).	Impose new or additional duties or other import restrictions on the targeted imports.	This authority has not been used since 1993, due to China joining the WTO. If China's PNTR status is revoked by Congress, the president may reinstate this authority against China as necessary.

International Emergency Economic Powers Act (IEEPA)	Presidential Authority	INTERAGENCY: Department of Treasury [Sanctions], Department of Commerce [Export Controls], USTR [Tariffs, Quotas], Department of Homeland Security [Border Entry and Product Restrictions], Department of State [Designations]	"Unusual and extraordinary" threats to the national security, foreign policy, or economy of the U.S., and the individuals/countries that pose said threats.	Investigate, regulate, and prohibit foreign transaction exchanges, transfer of credit or securities, or payments. Investigate, block, regulate, nullify, void, prevent, or prohibit any acquisition, holding, withholding, use, transfer, import/export of transactions involving property that a target has interest in, or any property subject to the jurisdiction of the U.S. Confiscate property of targets that the president determines have planned, aided, or engaged in such hostilities or attacks (only when the U.S. is engaged in armed hostilities or is attacked).	
Defense Production Act of 1950	Presidential Authority	INTERAGENCY (Depending on Action Taken): Technically Any/All Departments	Resources deemed vital to the U.S. industry base and national defense.	Prioritize and allocate contracts and resources for materials and services that promote national defense. Expand production and supply of critical materials and goods through the Defense Industrial Base (DIB). Pursue other general provisions, such as establishing agreements with private industry, blocking proposed or pending foreign M&As (CFIUS Action), and directing labor to the DIB.	Congressional authority lies with the House/Senate Banking committees. Committee jurisdiction should be expanded to include traditional national security committees like House/Senate Armed Services.

Executive Order on Addressing U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (EO 14105)	Department of Treasury	Department of Treasury	American outbound investments in Chinese sectors, including semiconductors and microelectronics, quantum information technologies, and artificial intelligence. Specifically focused on American capital and the management or technical expertise that is often transferred that would otherwise enable Chinese firms to expand their operations and/or make technological developments in these areas.	Direct the Department of Treasury to create a set of regulations prohibiting or requiring American investors to provide notification of certain investments in these sensitive sectors.	The EO is narrow in scope, focusing on just three technology sectors—AI, microelectronics, and quantum information systems—and only covers transactions involved in creating or acquiring an ownership stake in a company. The following types of transactions are not covered: 1. Contracts 2. IP licensing 3. Bank loans 4. Many forms of purely passive investment (public shares, ETFs, mutual funds, limited partner ["LP"] fund investments) 5. Ordinary-course commercial transactions 6. Intracompany transfers. Other policy gaps include a lack of a licensing or screening system to scrutinize transactions on a case-by-case basis, as well as a built-in retroactive policy that will exempt current U.S. capital in China from the new regulations.

Committee on Foreign Investment in the United States (CFIUS)	Department of Treasury	Department of Treasury	Foreign investment transactions that may pose U.S. national security risks, including pending foreign mergers and acquisitions (M&A) that would transfer U.S. control of a firm over to a foreign entity.	Grant president the authority to suspend or prohibit a foreign investment (subject to CFIUS review) if it is found that: 1. "Credible evidence" exists that the foreign investor might take action that threatens to impair the national security. 2. No other laws provide adequate and appropriate authority for the president to protect national security.	The authority needs the additional scope of covered transactions. While the 2018 FIRRMA reforms helped expand jurisdiction to target Chinese investments, exceptions were made for certain covered transaction definitions. E.g., certain "greenfield" investments are not included under covered transactions in real estate.
Information & Communications Technology Services (ICTS) Rule (EO on Securing the Information and Communications Technology and Services Supply Chain	Department of Commerce	Department of Commerce	"Covered ICTS" transactions. This applies to the acquisition, importation, transfer, installation, dealing in. or use of any information technology and communications technology or service that has been designed, developed, manufactured, or supplied by persons owned by, controlled by, or subject to the jurisdiction or direction of foreign adversaries (which includes the PRC/Hong Kong) posing a national threat to the U.S.	Grant the Commerce Secretary the authority to review and prohibit covered ICTS transactions on a case-by-case basis. Upon review and consultation with relevant parties and agencies, the Commerce Secretary may prohibit, not prohibit, or permit the transaction, subject to the adoption of measures determined by the secretary to sufficiently mitigate the associated risks.	The authority given to the Commerce Secretary to conduct reviews of ICTS transactions is vague and only used on a case-by-case basis. BIS is currently in the process of establishing an ICTS office with staff and funding to begin using this authority. This authority could also be used as justification to prohibit TikTok.

Section 889 of FY18 NDAA	Executive Agency	Executive Agency	Imported equipment, otherwise called "covered telecommunications equipment," that would be for use in the federal government. "Covered Telecommunications Equipment" refers to: 1. Equipment, systems, or services made by Huawei/ZTE 2. Video surveillance and telecommunications equipment produced by Hytera Communications Corp., Hangzhou Hikvision Digital Technology Co., or Dahua Technology Co. (or any subsidiary or affiliate of such entities) 3. Services using this equipment	Prohibit the head of an executive agency from: 1. Procuring, renewing/extending, or entering into a contract to obtain equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component. 2. Entering into a contract (or extend or renew a contract) with an entity that uses any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component.	Authority is limited to oversight by the head of a given federal agency, who can waive the requirements on a one-time basis for a two-year period. Some state governments have enacted measures to limit foreign ICTS under Section 889 (e.g., Florida's EO 22-216). This could be a more widespread practice and an area for state standardization/alignment.
Uyghur Forced Labor Prevention Act	Department of Homeland Security (Commissioner of Customs and Border Patrol)	Department of Homeland Security	Any imports that are mined, produced, or manufactured in whole or in part in the Xinjiang Uyghur Autonomous Region of the PRC using forced labor.	Commissioner of Customs and Border Patrol applies a presumption that imports of this kind are prohibited from entry into the U.S. Create an "Entity List" for	The tool is currently narrow in scope to focus on Xinjiang imports. This authority could be applied in future legislation to a broader presumption of denial on imports with supply-chain

Secure and Trusted Communications Networks Act of 2019	Federal Communications Commission (FCC)	Federal Communications Commission (FCC)	ICTS services or equipment produced or provided by an entity that pose an "unacceptable risk" to the national security of the U.S. or the safety of Americans.	Restrict the purchase of certain ICTS using certain federal subsidies. Require FCC to keep list of vendors that pose an unacceptable risk to the national security of the U.S. or the security and safety of the U.S., and forbid recipients of FCC funds from purchasing ICTS provided by firms placed on the list. Create a $1.9 billion Secure and Trusted Communications Networks Reimbursement Program (SCRP) to fund "rip and replace" programs for certain providers of advanced communications services to remove Huawei/ZTE equipment or services from their networks.	SCRP currently allocates funds only for Huawei and ZTE equipment replacement. Many other Chinese ICTS providers on the FCC's covered list are not eligible for replacement reimbursement. CRS reported that in its first round, FCC received $5.6 billion worth of reimbursement requests. The program has been allocated only $1.9 billion, so not every request can be granted. This is an obvious gap. Note: "Rip and replace" is very difficult and expensive; there may be industry concerns about the reimbursement program and its preconditions and reporting requirements.

Section 5949 of the FY23 NDAA	Executive Agency	Executive Agency	Any semiconductor product, equipment, or service that is designed, produced, or provided by China's Semiconductor Manufacturing International Corp. (SMIC), ChangXin Memory Technologies (CXMT), Yangzte Memory Technologies Corp. (YMTC), or any subsidiary, affiliate, or successor of one of these entities. The Secretaries of Defense and Commerce may also make any new determinations of an entity owned or controlled by a government of a foreign country of concern.	Prohibit the head of an executive agency from procuring or entering into or renewing a contract with an entity to procure or obtain any electronics parts, products, or services that include covered semiconductor products made by SMIC, CXMT, YMTC, or any subsidiary.	This regulation is retroactive—the regulations come into effect five years after the legislation is enacted, and covered equipment and services in use before that date may continue to be used.
Export-Import Bank (EXIM)	EXIM Bank	EXIM Bank	U.S. private firms in need of financing to facilitate exchange of goods and services abroad.	Provide loans, guarantees, insurance, and credits to U.S. private firms for exported products abroad. Prohibit the EXIM Bank from providing guarantees, insurance, or credit in connection with the direct or indirect purchase or lease of any product by "Marxist-Leninist" countries or countries connected to them, including China.	EXIM provides exceptions if China meets "certain conditions" to continue trade as a Marxist-Leninist country, i.e., making progress in political reform (lifting martial law, halting executions, releasing political prisoners, "increased respect for human rights," permitting freer flow of information). As of March 2022, EXIM is "available for support" if an exporter wants to do business in China.

Bilateral Investment Treaties (BITs)	United States Trade Representative (USTR)	United States Trade Representative (USTR)	Countries with which an agreement focused on private investment would foster economic benefits.	Create bilateral agreements focused on private investment (FDI) to promote U.S. exports. Negotiate: 1. National treatment and most-favored-nation treatment 2. Limits on expropriation of investments 3. Protected transfers between countries 4. Performance requirements to prevent inefficient and trade-distorting practices 5. Investment dispute mechanisms, including enabling investors to pursue include int. arbitration 6. Ability for investors to engage the "top managerial personnel," regardless of nationality.	The U.S. has BIT agreements with only two Indo-Pacific countries (Mongolia and Sri Lanka). This effort could be expanded to include additional Indo-Pacific partners, such as Indonesia.
Free Trade Agreements (FTAs)	United States Trade Representative (USTR)	United States Trade Representative (USTR)	One or more countries that could be included in a "free-trade area."	Develop agreements with target countries to establish a "free-trade area" that lowers tariff barriers and expands market access for trade and investment. Negotiate: 1. The reduction or elimination of tariffs and duties 2. Intellectual property rights 3. Ability to shape product standards in partner country 4. Ability to participate in partner country government procurement bids 5. Ability to supply certain goods and services 6. Fair treatment	Of the 20 countries in total that the U.S. shares an FTA with, only three are in the Indo-Pacific region (Australia, South Korea, and Singapore).

Millennium Challenge Corporation (MCC)	Millennium Challenge Corporation	Millennium Challenge Corporation	Low- to lower-middle-income countries	Offer government grants or contracts of three types designed to fund a variety of projects aimed at promoting human development, good governance, and economic growth, implemented by the recipient country. The three types are: 1. Compacts: Large, five-year grants for selected countries that meet MCC's eligibility criteria. 2. Concurrent Compacts for Regional Investments: Grants that promote cross-border economic integration and increase regional trade and collaboration. 3. Threshold Programs: Smaller grants focused on policy and institutional reform in selected countries that come close to passing MCC's eligibility criteria and show a firm commitment to improving their policy performance. Prohibit funding going toward military assistance or military training for a country.	The MCC has done very few regional compacts. The first—and seemingly only—one was in 2022.

Build Act of 2018 (U.S. International Development Finance Corporation)	U.S. International Development Finance Corporation (DFC)	U.S. International Development Finance Corporation (DFC)	The participation of the private sector in less developed countries, as well as countries in transition from nonmarket to market economies.	1. Issue loans and guarantees 2. Invest and acquire equities, shares, and securities in entities, projects, and investment funds 3. Issue insurance and reinsurance to protect the investments of private and sovereign entities 4. Initiate and financially support feasibility studies designed to explore the scope of potential projects 5. Administer and manage "special projects" 6. Establish, designate, and operate enterprise funds 7. Promote the participation of U.S. small businesses and enterprises in supporting the private sectors of less developed countries.	The DFC is mandated to prioritize funds for countries that the World Bank classifies as low- and lower-middle-income countries.
U.S. Trade and Development Agency (USTDA)	USTDA	USTDA	U.S. private-sector participation in development projects in developing and middle-income countries, with an emphasis on specific sectors such as energy, transportation, telecommunications, and environment.	Provide funding for feasibility studies for planning and managing bilateral and multilateral development projects. Fund architectural and engineering design and other activities related to development projects that leverage opportunities for use of U.S. exports. Provide technical assistance grants to multilateral development banks.	

Trading with the Enemy Act (TWEA)	Presidential Authority	President, or Agency Designated by the President	Transactions between the U.S. and a foreign country during a time of war.	Under Sections 3 and 4, during times of war: 1. Provide licenses to individuals or entities seeking to trade with a country with which the U.S. is at war or its allies. 2. Censor communications coming from any specified foreign country. 3. Restrict the entry into the U.S. of individuals from a country with which the U.S. is at war or its allies Under Section 5(b): 1. Investigate, regulate, or prohibit any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold/silver coin/bullion, currency or securities 2. Investigate, regulate, direct, void, or prohibit any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest. 3. Set terms and conditions for any property or interest of any foreign country or national to be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the U.S.	The president was previously able to use TWEA authorities both in times of war and during a declared national emergency. TWEA was amended in the late 1970s to be a wartime authority, but existing sanctions imposed through TWEA remained in effect. However, as of 2017, Cuba is the only country on which the U.S. has kept TWEA sanctions. Both IEEPA and TWEA give the president the ability to investigate, regulate, or prohibit transactions of foreign exchange, securities, or property in which a foreign party has an interest. TWEA and IEEPA both empower the president to seize or freeze assets of foreign countries or nationals. IEEPA authorizes the president to seize or freeze the assets of nations engaged in or supporting hostilities against the U.S.; but under TWEA, the president seemingly can take such action against any country. TWEA is also broader than IEEPA and empowers the president to regulate trade with foreign countries and to regulate or prohibit the importing, exporting, and hoarding of gold and silver. TWEA can be used only in the event that the U.S. declares war on China. However, it is not subject to the same level of congressional oversight as actions taken under IEEPA.

Holding Foreign Companies Accountable Act (HFCAA)	Securities and Exchange Commission (SEC)	Securities and Exchange Commission (SEC)	Registered foreign public accounting firms that cannot be inspected due to restrictions of the firms' home foreign governments.	Prohibit foreign firms that do not comply with SEC inspections for three consecutive years from trading on any U.S. national securities exchange or trading securities over the counter. Require removal of prohibition after a firm demonstrates that it is working with an inspectable public accounting firm. Issue five-year trading prohibition for further violations. Require foreign firms to disclose the percentage of the firm that government entities from the firm's country own, the CCP entities that are invested in the firm, the firm's board of directors, and whether the articles of incorporation for the firm contain the full or partial text of any CCP charter.	Statute was updated to two consecutive years. To date, more than 130 companies have been identified.

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