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Unplugging Beijing
A Playbook to Reclaim America's Advanced Battery Supply Chain

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Executive Summary

China weaponizes capitalism against free-market nations. China's non-market practices deliberately harm industries and supply chains throughout the global economy. This report focuses on the supply chain for one technology critical to U.S. national security — advanced batteries — to illustrate the nature of Beijing's misconduct and identify ways to overcome it.

- <u>To combat China's dangerous manipulation of global trade, the United States must develop new, more resilient, and diversified global supply lines that are independent of China's coercive economic practices</u>. Such action can help unleash a wave of cooperation among free-market nations that will lift up both established allies and emerging market partners and turn the tide against China's parasitic economic model.
- <u>The report offers a template for addressing America's economic security vulnerabilities more broadly</u>. If free-market nations cannot access the raw materials and components needed to drive their economies, then their adversaries will be able to defeat them by simply withholding those indispensable inputs.
- <u>Methodology</u>: In this major new report, the authors lay out the bottlenecks and chokepoints that China exploits against Western competitors to produce the majority of the world's advanced batteries: the upstream mining and processing of critical minerals — lithium, cobalt, nickel, copper, manganese, and graphite; the midstream construction of cathodes, anodes, and related components; and the downstream assembly of batteries for cars, drones, electronics, military applications, and grid backup.

Findings:

- **China exploits the advanced battery market at all stages of production,** achieving systemic advantages to dangerously corner the market. Even though Western scientists pioneered the lithium-ion technology that animates advanced batteries, Chinese battery makers lead the industry, while Beijing's control of the supply chain enables it to sharply limit foreign competition.
- **China's non-market manipulations** include price manipulation, subsidies, export dumping, intellectual property theft, knowledge transfers, monopolies, and aggressive vertical integration. The impact goes beyond immediate financial losses for affected companies, disrupting the incentive structure of a competitive market.
- **America can — and should — use its trade power** to force the creation of a better system, starting with more secure, reliable, and fair supply chains for advanced batteries and the critical minerals that underlie them. That means investing in transparency for the benefit of free and market-based countries and supporting the private sector's natural appetite for innovation with government support for scaling and project de-risking.
- **China's dominance of the advanced battery supply chain represents a clear and present danger** to the security of America's military supply chains, the resilience of U.S. core industries, and the efficient functioning of market economies around the globe. Fortunately, America has abundant tools to address these risks to its national security that are imposed by China.
- **It is time for new guardrails, muscular statecraft, and a unified international response** to China's non-market manipulation.

Policy Recommendations

Supporters of the free market need not accept China's non-market, parasitic practices. While tough negotiations will be necessary to ensure China changes its behavior, the United States should bolster its national security by taking six sets of actions now to strengthen its advanced battery and critical mineral supply chain resilience and reduce dependencies.

1. ***Step Up Extraction of Critical Minerals***
   - Incentivize Private Investment
   - Streamline Permitting and Regulations
   - Establish a Critical Minerals Stockpile
   - Develop Talent Pipelines
   - Create Special Economic Zones
   - Build Infrastructure
2. ***Counter China's Processing Chokehold***
   - Develop Non-Chinese Processing Techniques
   - Support U.S. Processing Capacity
   - Support Allied Processing Capacity
3. ***Innovate and Scale Battery Technology***
   - Foster Private Sector Collaboration
   - Expand Federal Support for Innovation
   - Prioritize Safe and Clean Processes
   - Leverage Research Consortiums
4. ***Stabilize Prices for Key Inputs***
   - Develop New Non-Chinese Pricing Mechanisms
   - Guarantee Offtake
   - Set Price Floors
   - Punish Market Manipulation
   - Impose Tariffs
5. ***Promote Transparency to Blunt China's Non-Market Practices***
   - Protect the USMCA Against China
   - Enhance Disclosures
   - Encourage Foreign Direct Investment Reviews
   - Combat Forced Labor
   - Unwind Bad China Deals and Debt
6. ***Allies and Partners Matter, a Lot***
   - Ally-Shore Critical Mineral Supply Chains
   - Improve Allied Regulatory and Policy Alignment
   - Invest in Emerging Market Allies
   - Prioritize the Western Hemisphere

Full monograph available at: https://www.fdd.org/analysis/2025/07/21/unplugging-beijing/