

## Questions for the Record

*Trojan Horse: China's Auto Threat to America*

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### 1. What should Congress put into a “CHIPS 2.0” to successfully decouple ourselves from PRC dominance in the market?

#### Answer:

The CHIPS Act recognized semiconductors as strategic infrastructure. But if semiconductors are the brains of modern systems, batteries and permanent magnets are the beating heart and lungs. Securing domestic and allied supply chains for both is essential to U.S. national security and industrial competitiveness.

The first priority is developing battery and permanent magnet domestic manufacturing capacity with an emphasis on vertically integrated facilities that connect raw materials to finished systems. Supporting financing efforts in the initial stages for these capital-intensive endeavors through low-rate loans, first-loss guarantees, and subsidies will jumpstart production.

To support battery and permanent magnet manufacturing, the U.S. must also prioritize the development of non-Chinese critical mineral and rare earth extraction and processing. In addition to financial support, the United States government should streamline permitting and regulations, establish a critical mineral stockpile, guarantee offtake, and create price floors and ceilings to prevent PRC price manipulation.

Critical mineral recycling should also be developed as an untapped and abundant domestic source of input materials. Building commercial scale recycling capacity will reduce reliance on primary extraction and provide a stable, domestic source of critical materials over time.

However, the United States cannot do this alone. Many of our allies face the same threats from China's non-market practices. Working with them to align strengths and capacity is critical to building a secure global supply chain less vulnerable to coercion.

My team and I explore this concept more in-depth in our 2025 monograph, [\*Unplugging Beijing\*](#).