

INTERSECTIONS

Technology, National Security, and US-China Strategic Competition

Written by CNA's China and Indo-Pacific Security Affairs Division, *Intersections* is a news digest describing the interplay between the People's Republic of China's (PRC's) technology acquisition and defense industrial base development efforts, US and partner nation responses, and critical and emerging technology risks and challenges with military implications. This issue considers several US ally and partner developments related to competition with the PRC that could affect US Navy (USN) and US security equities, including Taiwan's efforts to become an uncrewed aerial vehicle (UAV) production hub, US-South Korea collaboration on naval shipbuilding, and PRC espionage targeting US-Australia technology sharing under the trilateral security partnership between Australia, the UK, and the US (AUKUS). Other topics in this issue include PRC efforts to gain access to subsea minerals via cooperation with the Cook Islands and recent domestic political developments in China.

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TAIWAN AIMS TO BECOME UAV PRODUCTION HUB

China is the world's leading producer of commercial UAVs (aka drones) and controls up to 90 percent of the global market. China is also a major global supplier of commercial drone components, which means that policy decisions made in China can affect downstream drone manufacturers even if those manufacturers make their final products outside of China.¹ Trent Emeneker, an official at the Defense Innovation Unit, told *Forbes* that if China were to cut off the supply of drone components, it could shut down the global drone industry for a year.²

The national security implications of China's control of commercial drone supply chains are particularly apparent with respect to Taiwan. For example, in October 2024, China sanctioned US drone manufacturer Skydio for selling to Taiwan. Afterward, the company announced that it would have to [ration](#) its battery packs until it could find alternative suppliers, which it projected would not occur until "spring of next year."³ Skydio, which manufactures its drones in the US and supplies its X10 drone to the US military, has said that battery packs were one of the few components that it was still sourcing from China.⁴

Taiwan's ability to avoid relying on China for its drone component supply chains is particularly relevant today given that Taiwan is paying close attention to the conflict in Ukraine, in which Ukrainian forces have successfully used both military and commercial drones to defend against the Russian invasion.⁵ As noted in a recent CNA [report](#) on the lessons that Taiwan has learned from Ukraine, Taiwanese analysts view Taiwan as lagging behind China in drone technologies. Furthermore, many Taiwanese drone manufacturers are at least partly reliant on components from China. To accelerate the development of Taiwan's drone industry, Taiwan's government has established a suite of institutions and organizations that are drawing on expertise and capabilities from industry, academia, and government.⁶

The next two stories discuss recent policy developments and announcements that show how Taiwan is seeking to secure its drone supply chain. In one sense, these stories provide examples of policies that could be instructive as other countries wrestle with China's dominant position in their own drone supply chains. However, what happens in Taiwan could also have implications on a global scale, especially for Taiwan's partner nations. In his inaugural [address](#), delivered in May 2024, Taiwan's President Lai Ching-te described his goals for Taiwan's drone industry on a global scale, stating that he aims to make Taiwan the "Asian hub of UAV supply chains for global democracies."⁷

Taiwan government official proposes strategies to support Taiwan's drone industry. On March 15, during a meeting with drone industry professionals, Taiwan's Vice Premier Cheng Li-chun outlined five [strategies](#) intended to support the development of Taiwan's drone industry and help build Taiwan's "National Drone Team."⁸ The National Drone Team is a program that draws on the private sector to develop drones.⁹ As noted by Cheng during her remarks, these strategies are also meant to contribute to President Lai's goal of making Taiwan a key node in the global drone supply chain.¹⁰ The five strategies are as follows:

1. Expanding domestic and international demand for drones by finding new applications for drones, increasing drone procurement, pursuing international business opportunities, and fostering integration with international markets
2. Encouraging the development of new technologies by providing support through public research institutions and tax incentives as well as exploring international co-production partnerships

3. Creating a comprehensive drone research, development, testing, and manufacturing ecosystem that builds upon existing industrial centers
4. Enhancing the drone regulatory environment by defining usage restrictions and promoting cybersecurity certifications
5. Ensuring that publicly procured and commercially available drones contribute to Taiwan's national security and resilience¹¹

The director of the American Institute in Taiwan notes a potential for US-Taiwan collaboration in dual-use manufacturing. According to *Nikkei Asia*, Taiwan will need partnerships abroad to expand its production of drones. Taiwan's foreign minister, Lin Chia-lung, has [reportedly said](#) that Taiwan needs additional markets and orders to increase the number of production lines it has for manufacturing drones.¹² In addition, during a March interview with the Taiwanese newspaper *Liberty Times*, the director of the American Institute of Taiwan, Raymond Greene, stated that there is potential for Taiwan and the US to cooperate on manufacturing in dual-use areas, specifically drones and satellites. Greene also noted that one way to strengthen both the US and Taiwan would be for them to partner on developing advanced technologies and supply chains for drones and other sectors that avoid exposure to China.¹³ Taiwan's defense minister, Wellington Koo, subsequently confirmed Greene's statements, saying that Taiwan and the US are working on building a "non-red" drone supply chain that reduces exposure to China.¹⁴

US AND SOUTH KOREA AGREE TO COLLABORATE ON NAVAL SHIPBUILDING

US and South Korea agree to establish a naval shipbuilding partnership. In April, USN shipbuilder Huntington Ingalls Industries (HII) and South Korean shipbuilder HD Hyundai Heavy Industries (HHI) signed a [memorandum of understanding](#) (MOU) to establish a partnership for working together to boost shipbuilding production across a variety of vessel classes—both civilian and military.¹⁵ HII is both the largest US shipbuilder and the largest US military shipbuilder, with a shipyard in Newport News, Virginia, that produces aircraft carriers and submarines, as well as one in Pascagoula, Mississippi, that produces destroyers and amphibious ships.¹⁶ For its part, HHI is the world's largest shipbuilder, controlling 10 percent of the world's total shipbuilding market and boasting the world's largest shipyard in Ulsan, South Korea.¹⁷

The goal of the HII-HHI partnership is to accelerate "ship production in support of defense and commercial shipbuilding projects."¹⁸ More broadly, the partnership represents another significant step in US efforts to work with South Korea on building and maintaining USN vessels. For example, in March, a US Military Sealift Command dry cargo ship underwent an overhaul at a South Korean shipyard—the first time that a South Korean company had performed such large-scale work on a USN vessel.¹⁹

South Korean shipbuilders and officials are celebrating the announced HII-HHI collaboration. Joo Won-ho, the head of HHI's Naval & Special Ship Business Unit (which focuses on the construction and exportation of naval ships), said that the deal between the two countries will "help advance both nations' shipbuilding industries and further strengthen defense ties."²⁰ Further, Acting President Han Duck-soo commented that cooperation with the US could help the South Korean shipbuilding industry to "leap forward."²¹ After the Trump Administration publicly considered purchasing ships from allied nations in mid-April, HHI's market value on the Korea Exchange climbed up two places (from 12th to 10th), with its stocks

rising by 5.7 percent.²²

However, South Korean shipbuilders have argued that two US legal and regulatory measures restrict South Korea from having a deeper shipbuilding relationship with the US. First, the [Jones Act](#) requires that all cargo ships transporting goods between US ports be “US-built, US-citizen owned, and registered in the US.”²³ This means that HHI and other South Korean shipbuilders would not be able to build commercial ships for the US in their domestic ports. Instead, they must work with US shipyards to purchase space to fulfill contracts. Second, the [Defense Federal Acquisition Regulation Supplement](#) (DFARS) regulates how the US government purchases goods for defense. DFARS requires that a baseline percentage of each good be made with American supplies, which could pose engagement barriers to South Korea.²⁴ Despite these potential challenges, the English-language Korean newspaper *Korea JoongAng Daily* reported that Korean companies see the HII-HHI collaboration as a positive move towards future projects that “promise greater profit potential.”²⁵

US shipbuilding collaboration with South Korea comes amid China’s global shipbuilding dominance.

One common challenge that both the US and South Korean shipbuilding industries face is competition from China. According to a January [report](#) by the US Trade Representative, China controls more than 50 percent of global ship production, and as of 2015, it sourced more than 90 percent of inputs for ship production domestically—the highest among major shipbuilding countries.²⁶ The PRC has achieved this dominance as part of a deliberate state-directed strategy of subsidizing major state-owned shipbuilders. These subsidies have taken a variety of forms including loans, debt forgiveness, equity infusions, and indirect support for the shipbuilding industry (e.g., subsidies to supporting industries such as steelmaking).²⁷

These forms of PRC state support have enabled China’s shipbuilding industry to become so dominant that it has effectively prevented would-be commercial shipbuilders in other countries, including the US, from becoming competitive. The Shipbuilder’s Council of America, the main US industry association for domestic shipbuilders, has argued that although US shipbuilders “compete aggressively for domestic commercial and government shipbuilding” contracts, they are unable to compete internationally because of the unfavorable market conditions resulting from PRC state support.²⁸

The Chinese government’s extensive subsidies to the PRC shipbuilding industry—largely via [financing](#) from state-controlled banks to the large PRC state-owned companies that dominate the industry²⁹—is one of the major economic [tools](#) China uses to promote its military and national security objectives while disadvantaging those of the US and its allies. As a result, even though military shipbuilders like HII exist in the US, they are largely unable to reap the financial and innovation benefits of diversifying into civilian shipbuilding and must rely on US government contracts.³⁰ In this light, HII’s partnership with HHI—one of the few non-PRC firms able to compete on the global shipbuilding market—could help the company to access some of the advantages that large commercial shipbuilders enjoy.

PRC ESPIONAGE TARGETS AUKUS TECHNOLOGY

The Australian Security Intelligence Organization (ASIO) director reports on the espionage threat to US nuclear submarine technology transfer to Australia under AUKUS. In February, according to a Reuters [report](#), the director of the ASIO, Australia’s domestic intelligence and national security agency, gave a speech warning that foreign intelligence agents were targeting Australia’s nuclear-powered submarine program, which is a key part of the AUKUS agreement.³¹ The director noted that foreign intelligence services,

including China's, "seek to understand future AUKUS submarines' capabilities, [to understand] how they will be deployed, and to undermine allies' trust in Australia," and the director further stated that Australian defense personnel were being targeted "relentlessly."³²

The question of how the US can engage in nuclear technology sharing with Australia under AUKUS while robustly countering foreign intelligence activities that target the program has been an ongoing topic of discussion for both the US and Australia. For example, in its [previous](#) Annual Threat Assessment in February 2024, the ASIO director similarly noted that "adversaries" were offering money to Australian defense industry employees "in return for reports on AUKUS, submarine technology, [and] missile systems," among other technologies."³³ To shore up Australia's counterintelligence capabilities focused on defending against threats to AUKUS, the ASIO has embedded personnel within Australia's Defence Department.³⁴ In addition (as discussed in [Issue 8](#)), in a December 2023 meeting, senior defense officials for the US, Australia, and the UK committed to enhancing cybersecurity with critical naval suppliers.³⁵

However, observers, including some Australians, have questioned whether the steps Australia has taken to date are sufficient to protect the most sensitive nuclear propulsion technology the US is planning to transfer. In a 2023 piece in *Proceedings*, the US Naval Institute's journal, a Royal Australian Navy officer [argued](#) that Australia's navy needed to "enhance its protective capabilities" regarding nuclear propulsion technologies, including hardening Australian naval installations that will host nuclear submarines, hiring and training more naval police officers, and having these officers focus more on counterintelligence and force protection missions than on other policing tasks.³⁶ Future US confidence in Australia's ability to safeguard nuclear submarine technology adequately will continue to be a major factor in sustaining the US commitment to AUKUS.

PRC DEEP-SEA MINERALS EXPLORATION

China and the Cook Islands sign a MOU on seabed minerals exploration. On February 14, the Cook Islands Seabed Minerals Authority and China's Ministry of Natural Resources signed a five-year [agreement](#) in Harbin, China. The MOU establishes four main areas of cooperation:

1. Capacity-building and technology transfer associated with exploration of seabed mineral resources
2. Research on seabed mineral resources
3. Potential environmental impacts on deep-sea ecosystems
4. Logistics related to seabed mineral exploration³⁷

The seabed minerals exploration MOU closely followed several [other agreements](#) between China and the Cook Islands, including an "Action Plan for Comprehensive Strategic Partnership," which covers the same five-year period.³⁸ Leaders in New Zealand have stated that they were "blindsided" by these agreements,³⁹ noting that the Cook Islands maintains a "free association" agreement with New Zealand—similar to the security guarantee that the US provides to the Federated States of Micronesia, the Marshall Islands, and Palau in exchange for these countries cooperating with the US on defense and security matters.

Controversies over this MOU have emerged as many countries worldwide have recognized their need for critical minerals and have voiced significant disagreements about who should be allowed to mine seabed minerals, and under what authority, especially in the Pacific.⁴⁰ In the high seas (the area outside of any

country's exclusive economic zone), the United Nations Convention on the Law of the Sea grants authority over mining and permitting to the International Seabed Authority (ISA), but the ISA has not finalized [rules](#) that will govern how high seas mining activities should proceed.⁴¹

DEVELOPMENTS FROM CHINA'S "TWO SESSIONS"

The Two Sessions in Beijing emphasize continuity and technological innovation. In early March, China's National People's Congress (NPC) and the China People's Political Consultative Conference (CPPCC) met in Beijing. During this [annual meeting](#), called the "Two Sessions," Chinese Communist Party (CCP) leaders publicly review the progress of the past year and announce changes and goals for the next year. Although the NPC and CPPCC themselves hold limited political power, the proceedings of the Two Sessions provide an opportunity to gain insight into the tone that CCP leaders want to set for the coming year.⁴² Of particular importance is the *Government Work Report*, which is delivered by China's premier and is the CCP's most authoritative representation of its performance over the past year and of its policy goals going forward.⁴³

When we covered last year's Two Sessions in [Issue 9](#), we noted that 2024's *Government Work Report* emphasized economic growth and innovation despite looming economic challenges. Similarly, 2025's *Government Work Report* [conveys](#) a message of continuity—specifically, that China is on a strong development path even as it faces serious challenges.⁴⁴ For example, the economic growth targets set in the past three *Government Work Reports* have been nearly identical. The 2025 *Government Work Report* sets China an economic goal of "roughly" 5 percent growth in GDP over the next year, which was the same goal set by the 2024 *Government Work Report*, which was essentially the same goal set by the 2023 *Government Work Report* (of 5.2 percent GDP growth).⁴⁵

This year's *Government Work Report* also states the importance of strengthening advanced manufacturing and China's technological innovation system. Among other areas, the *Government Work Report* highlights the importance of developing commercial spaceflight, deep-sea science and technology, and quantum science and technology. It also emphasizes that China should "advance high-level science and technology self-sufficiency."⁴⁶ As noted by [Jeanette Chu](#), a senior associate at the Center for Strategic and International Studies, the emphasis on indigenizing advanced technologies reflects CCP leadership's recognition of the close ties between technology and national security, especially in the context of increasing tariffs and export controls between China and the US.⁴⁷ That emphasis on innovation and technological self-sufficiency can also be found in the 2024 *Government Work Report*, demonstrating that this issue is a continuing priority for the CCP.⁴⁸

NOTES

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⁴⁷ Jeannette Chu, "Top Takeaways from China's Two Sessions: Say 'Economic Security Is National Security' Without Saying 'jingji anquan shi guojia anquan,'" CSIS, Mar. 14, 2025, <https://www.csis.org/blogs/trustee-china-hand/top-takeaways-chinas-two-sessions>.

⁴⁸ Li Qiang, "Government Work Report—from the Second Meeting of the 14th National People's Congress on March 5th, 2024" (政府工作报告-2024年3月5日在第十四届全国人民代表大会第二次会议上), Xinhua, Mar. 12, 2024, https://www.gov.cn/yaowen/liebiao/202403/content_6939153.htm.

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This work was created in the performance of Federal Government Contract No. N00014-22-D-7001.

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Public Release

5/16/2025

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DNL-2024-U-039879-Final4

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