Marshaling National Power Industries to Preserve America's Strength and Thwart China's Campaign for Global Dominance

Robert D. Atkinson
President, ITIF
@RobAtkinsonITIF

December 15, 2025

ITIF | INFORMATION TECHNOLOGY & INNOVATION FOUNDATION

@ITIFdc

Contents

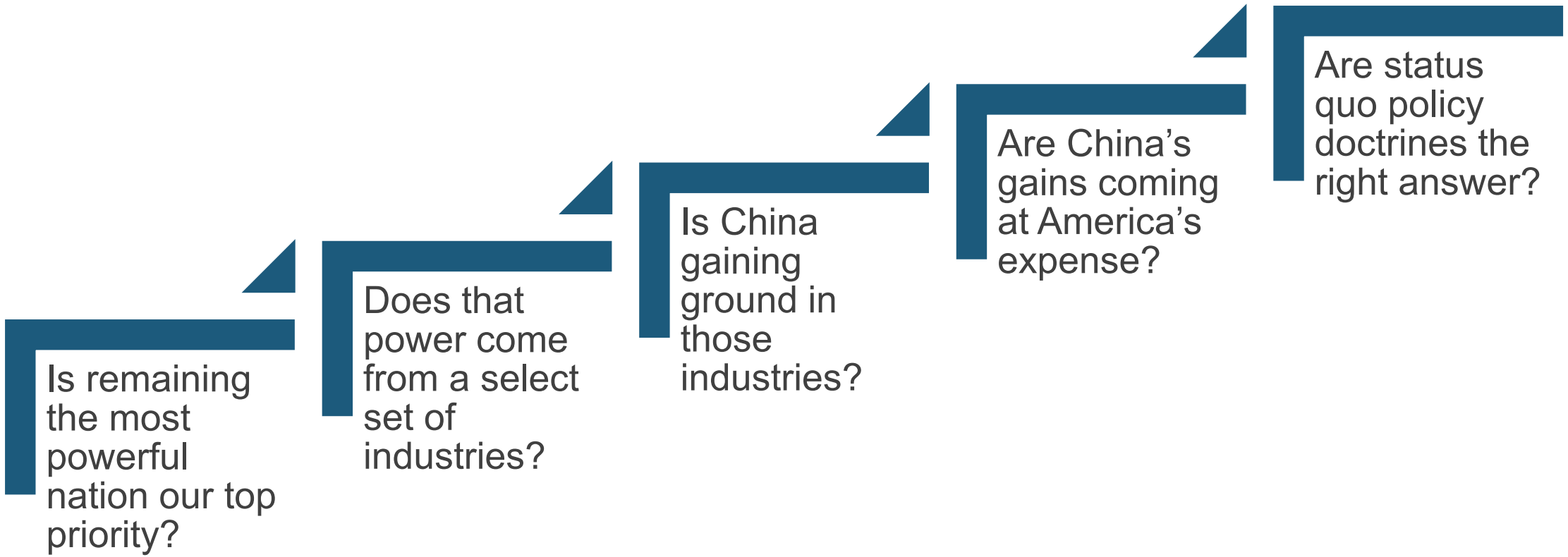
1. Overview
2. China’s declaration of industrial war
3. The nature and importance of national power industries
4. America’s strategic options
5. Toward a national power industry strategy

The Big Picture

- China is executing a long-term techno-economic campaign to dominate the industries that underpin U.S. national power
- America can't rely on legacy economic doctrines or innovation alone
- Policymakers must adopt a National Power Industry Strategy



Immutable Logic Chain

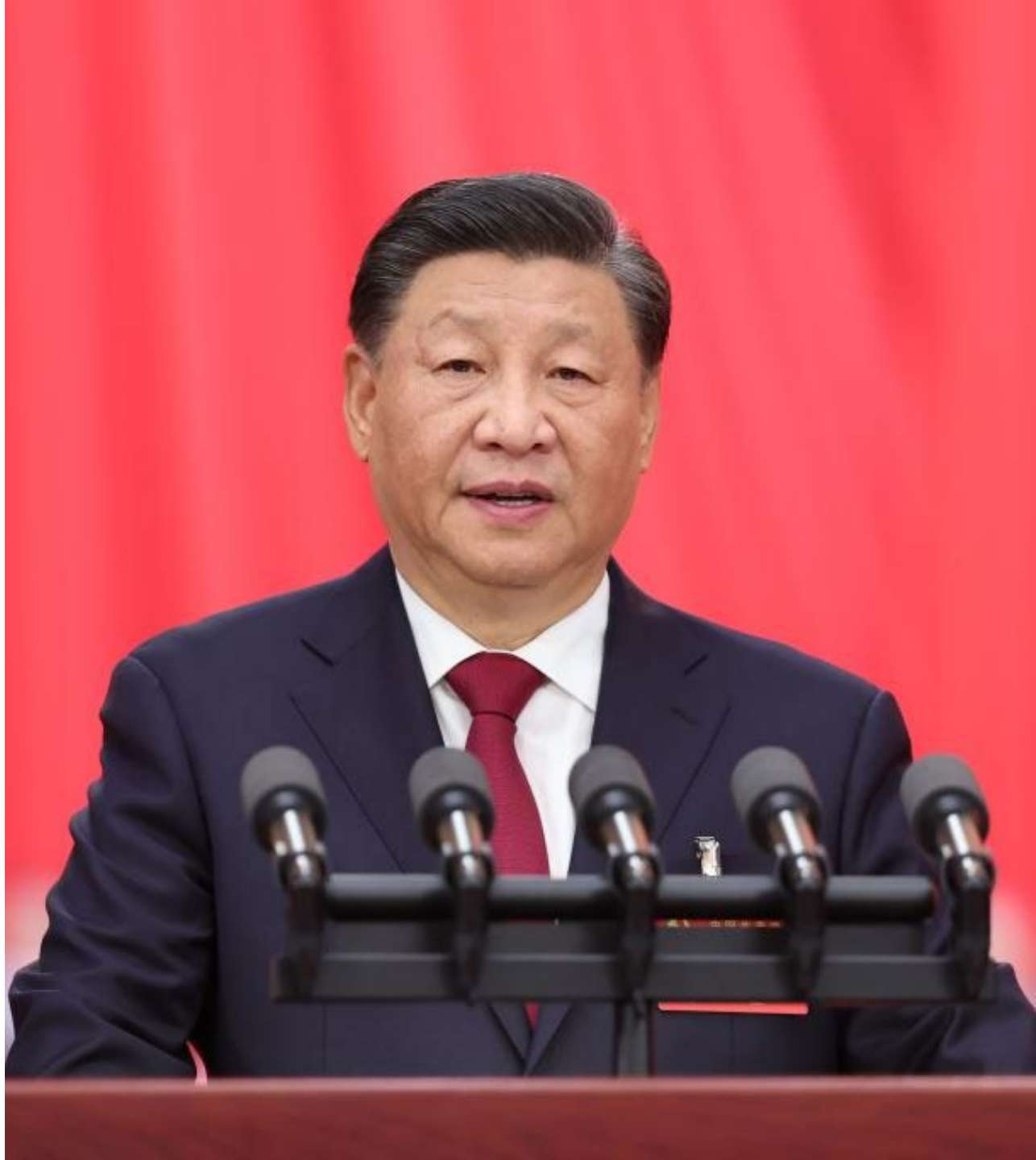


Contents

1. Overview
2. China’s declaration of industrial war
3. The nature and importance of national power industries
4. America’s strategic options
5. Toward a national power industry strategy

- “Seize the initiative, win the competitive edge, and secure our future…”
- “Technological innovation has become the main battleground of the global playing field, and competition for tech dominance will grow unprecedentedly fierce.”

— Xi Jinping



CCP Playbook

1. Attract foreign investment
2. Coerce technology transfer and steal IP
3. Use massive subsidies + protected domestic markets
4. Push Chinese firms to dominate global markets
5. Create irreversible dependence

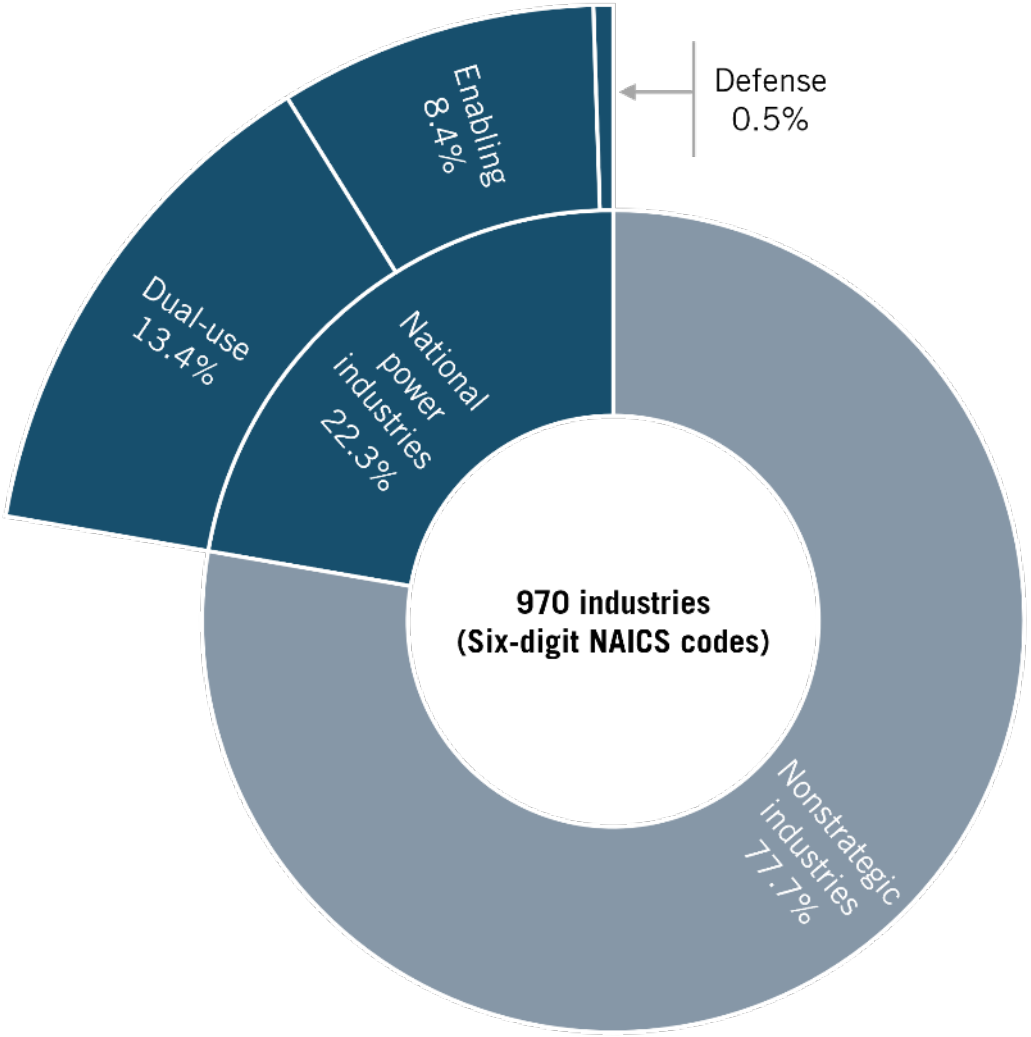


Contents

1. Overview
2. China’s declaration of industrial war
3. The nature and importance of national power industries
4. America’s strategic options
5. Toward a national power industry strategy

National Power Industry Typology

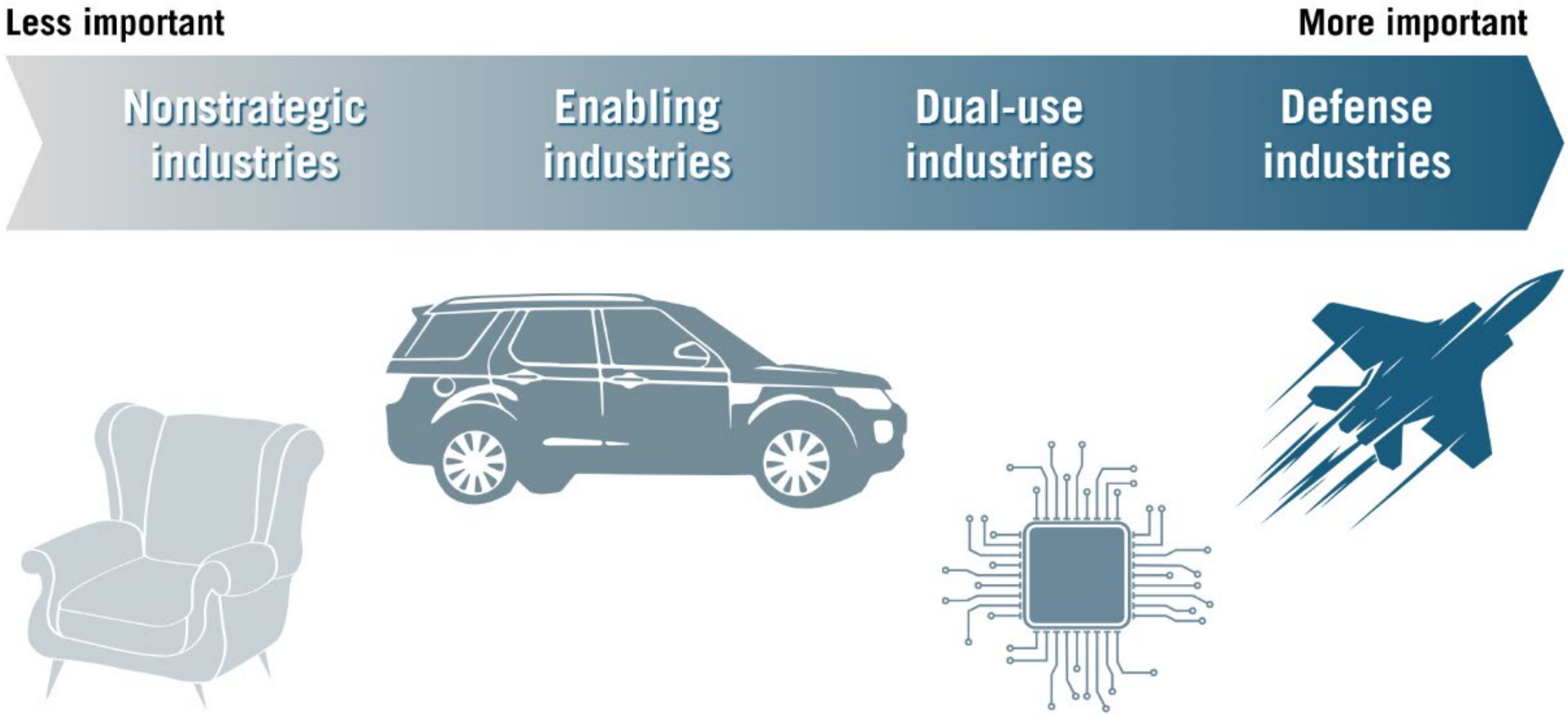
- **Power industries include:**
  - **Defense** production
  - **Dual-use** technologies with military and commercial applications
  - **Enabling** technologies that support the industrial commons
- **22% of all industries**
- **Must be the focus of a national power industry strategy**



Components of an Industrial Commons



Industrial Power Scale



Once an Industry or Firm Is Lost, It's Gone for Good

motorola
a lenovo company

Lucent Technologies
Bell Labs Innovations

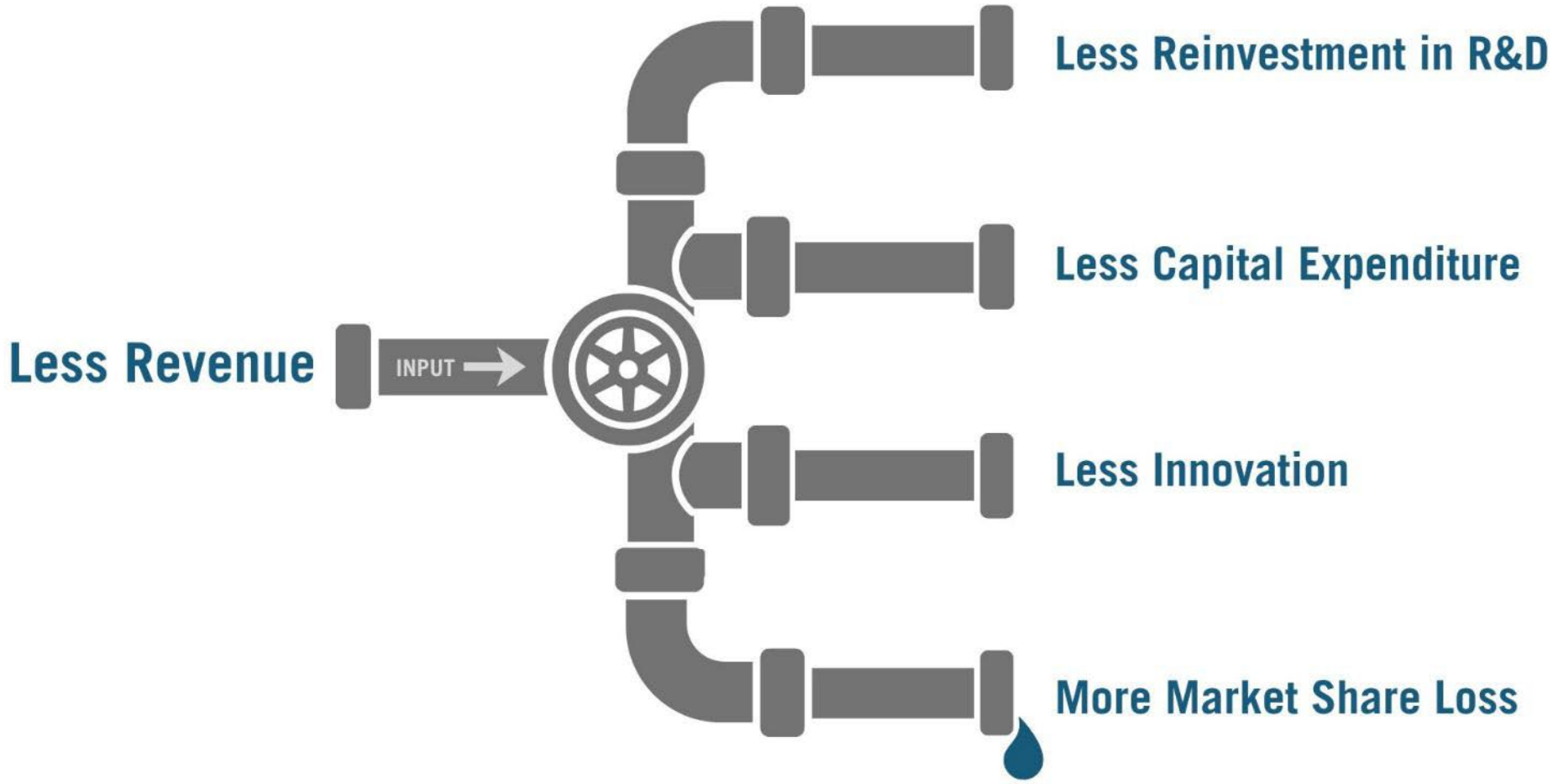
GE APPLIANCES
a Haier company

ZENITH

CINCINNATI MILACRON



Downstream Impact of Losing Market Share



Major Barriers to Reentry

1. Technological and knowledge barriers
2. Capital and investment requirements
3. Market structure and competitive dynamics
4. Regulatory and compliance hurdles
5. Human capital and organizational capabilities
6. Supply chain and ecosystem dependencies
7. Political economy factors
8. Strategic timing and windows of opportunity
9. Downward cumulative causation



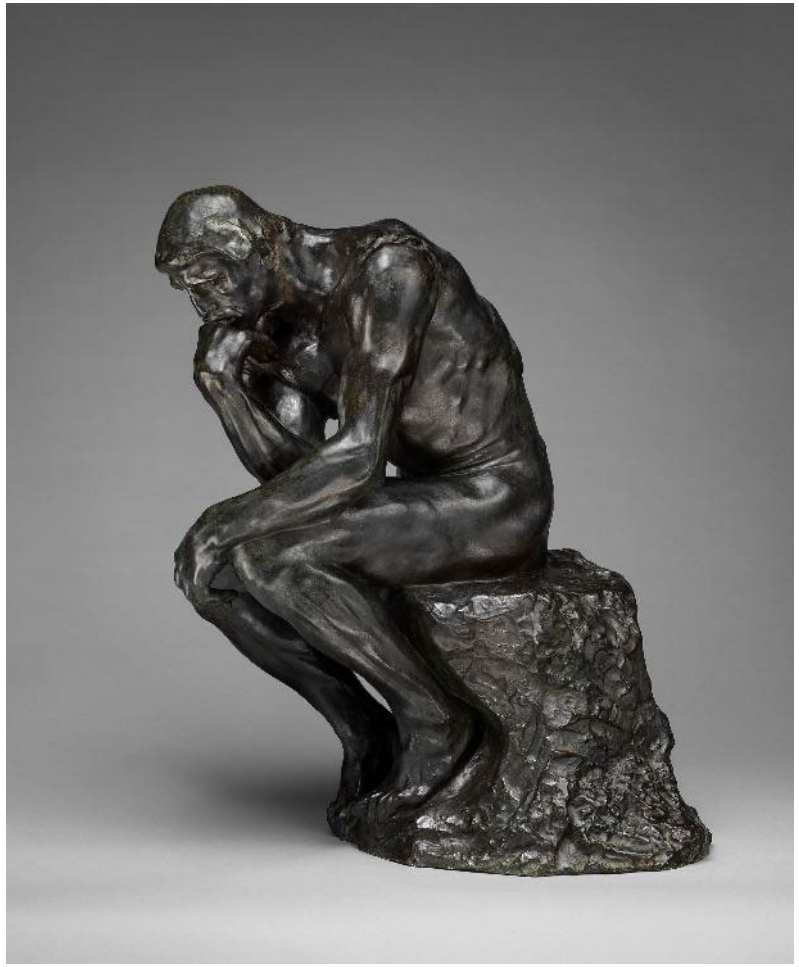
Contents

1. Overview
2. China’s declaration of industrial war
3. The nature and importance of national power industries
4. America’s strategic options
5. Toward a national power industry strategy

Why U.S. Policy Is Failing

Ideological fallacies:

- All industries are created equal
- Trade is always win-win
- Markets preserve strategic capacity
- U.S. innovation > China
- China = “normal” competitor



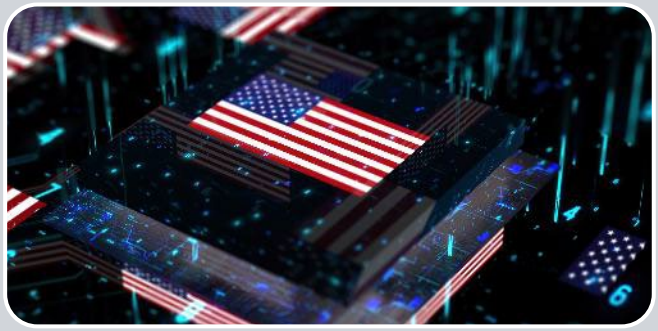
Three Flawed Strategic Foreign Policy Camps



Engagers: China is not a threat; let's cooperate



Deniers: China will stagnate or collapse; just wait



Innovationists: U.S. tech superiority will save us

Three Flawed Strategic Economic Frameworks

Neoclassical economics

- Computer chips = potato chips
- Views foreign subsidies and offshoring as beneficial
- Assumes markets self-correct and will preserve strategic capabilities
- Sees China's state-driven industrial strategy as own-goal

Progressive economics

- Prioritizes redistribution, social spending, and anticorporate regulation
- Undermines national champions
- Favors climate and health care over defense, dual-use, and enabling industries
- Distrusts public-private industrial collaboration

Competitiveness & innovation policy

- Focuses on inputs, not structure
- Fails to address flawed capital market incentives
- Ignores industry-specific strategies
- Fails to prevent the PRC from capturing market share

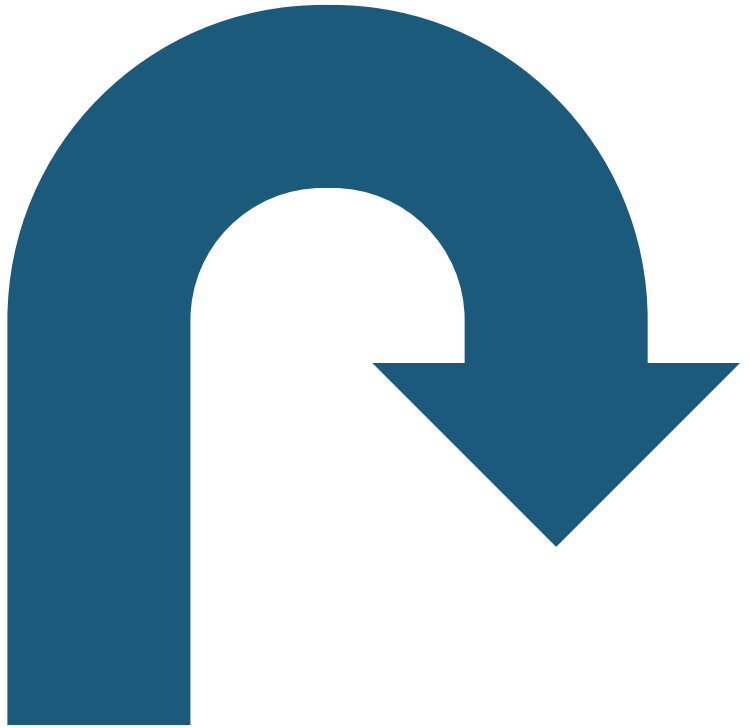
Business Strategy Is the Right Framework

- Views competition as a win-lose proposition
- Accounts for barriers to entry
- Focuses on chokepoints, scale economies, and learning curves
- Addresses long-term positioning, not just short-term efficiency



What Policymakers Must Recognize

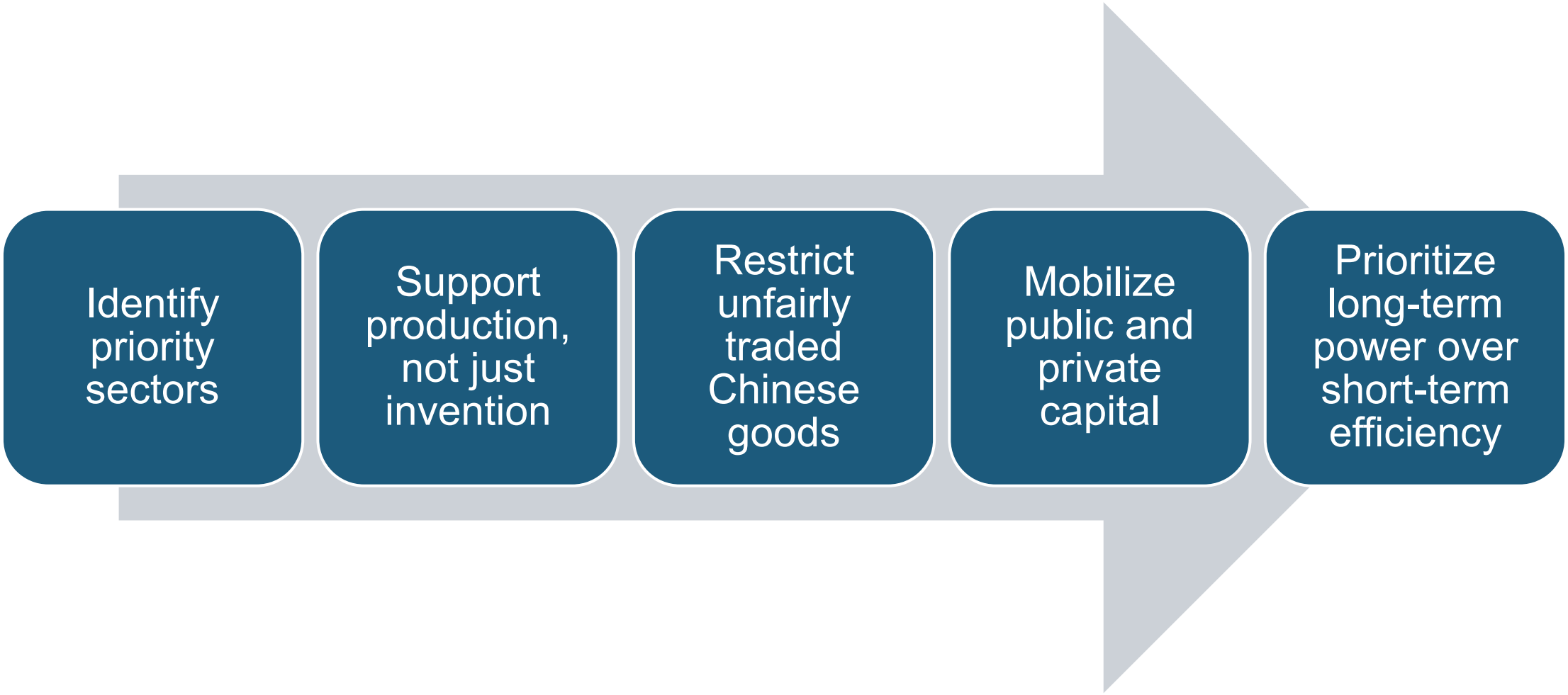
- Some industries matter more than others
- Production matters, not just R&D
- Market forces alone will not protect strategic capacity
- Government must strategically shape industrial structure



Contents

1. Overview
2. China’s declaration of industrial war
3. The nature and importance of national power industries
4. America’s strategic options
5. Toward a national power industry strategy

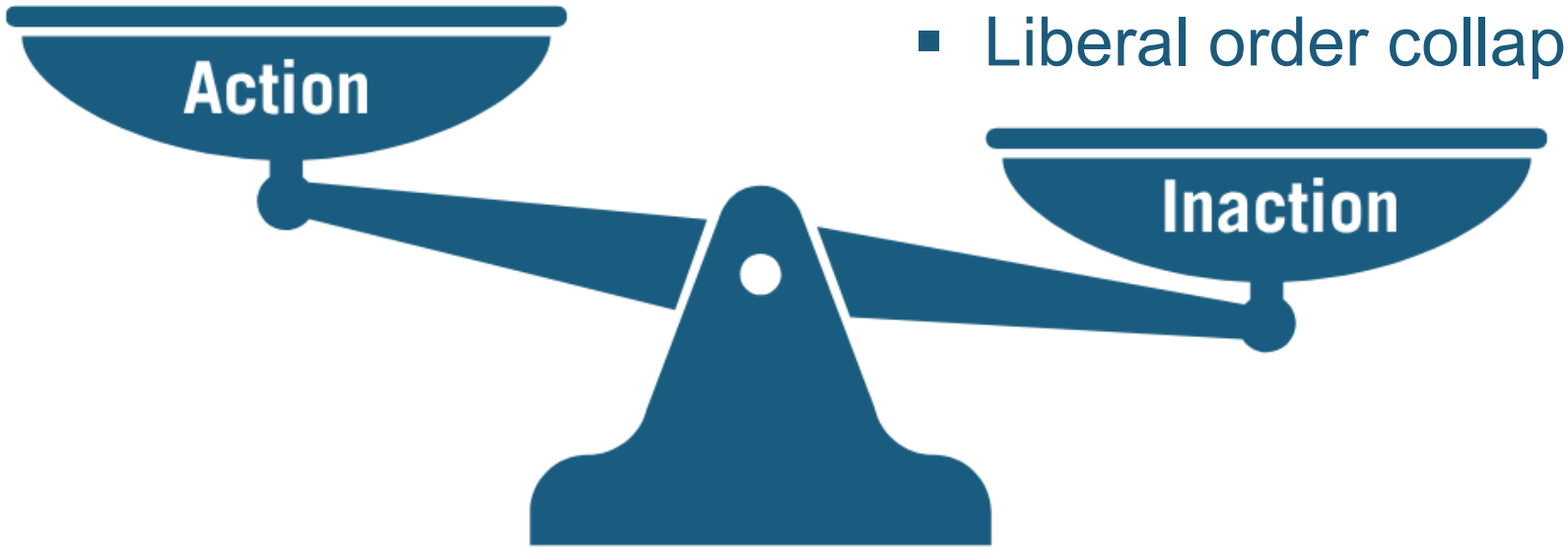
National Power Industry Strategy in Practice



Strategic Cost Calculation

- Higher consumer prices
- More industrial spending
- Less capital flow to nonstrategic sectors
- Stronger state capacity

- China dominates key industries
- America becomes dependent
- Defense costs skyrocket
- Allies drift or submit
- Liberal order collapses



Historical precedent:

- Post-1812 industrialization
- Post-Civil War manufacturing revolution
- WWII + Cold War science and defense buildup

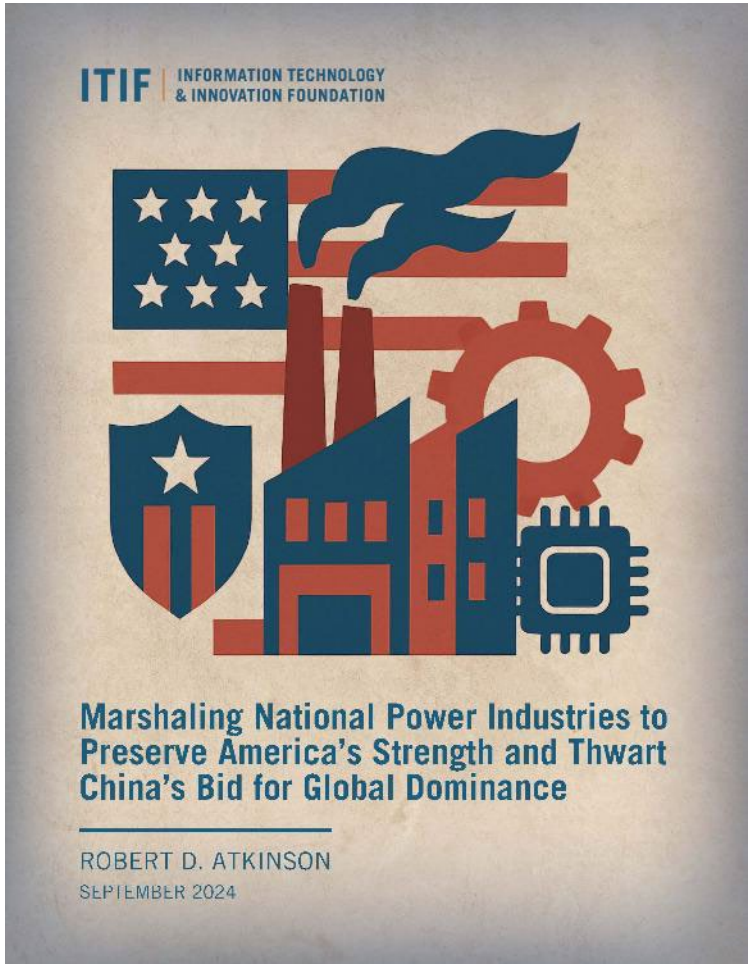


The Charge to Policymakers

We must:

- Abandon outdated dogmas
- Rebuild strategic industrial capacity
- Invest at scale
- Align allies
- Accept costs of leadership

Read more at itif.org



Thank You!

Robert D. Atkinson

President, ITIF

ratkinson@itif.org | @RobAtkinsonITIF