

How China's State-Backed E-Commerce Platforms Threaten American Consumers and U.S. Technology Leadership

ELI CLEMENS | APRIL 2025

China's industrial strategy calls for gaining market share in e-commerce to expand its global influence, financial footprint, and ability to compete in AI. Policymakers should act now to avoid leaving U.S. platforms at a structural disadvantage and exposing U.S. consumers to harm.

KEY TAKEAWAYS

- China uses a variety of unfair industrial policy measures to boost its domestic e-commerce platforms' global expansion, including subsidies, regulatory support, and state-backed logistics.
- Chinese platforms take advantage of gaps in U.S. regulations to reduce costs compared to domestic competitors, raising consumer protection concerns in the process.
- China's industrial strategies leverage e-commerce as an asset in digital and trade policy to advance broader economic and military ambitions, including strengthening domestic industries and expanding national power.
- U.S. policymakers should respond with targeted measures to level the playing field, ensuring fair competition, consumer safety, and economic security.
- Policymakers should strengthen the U.S. e-commerce sector by promoting reciprocal market access and encouraging investment in next-generation logistics and automation to enhance the long-term resilience of the U.S. e-commerce sector.

CONTENTS

Key Takeaways.....	1
Introduction.....	3
Chinese Government Support for E-commerce Platforms	4
Industrial Policy Positions Chinese Platforms for Global Leadership	6
Leveraging Cross-Border E-commerce Pilot Zones as a Strategic Tool for Advancing Chinese Platforms in Global Markets.....	8
Government-Backed Data Platforms Enhancing Market Expansion	10
Competing for Talent and Innovation.....	11
Strategic Expansion of Chinese E-commerce Platforms Abroad	12
Case Studies.....	13
Temu	13
Advantages	13
Consumer Harms	14
AliExpress	15
Advantages	15
Consumer Harms	15
SHEIN	15
Advantages	15
Consumer Harms	16
Strategic Stakes.....	17
Distinguishing Between U.S. and Chinese Economic Incentives.....	17
Data Security and Geopolitical Implications.....	18
U.S. Consumer Choice Beyond Great Power Competition.....	18
Policy Recommendations	19
Protecting U.S. Consumers and Businesses in the Global E-commerce Landscape.....	20
Strengthening U.S. E-commerce Amid Global Competition.....	21
Conclusion	22
Endnotes.....	23

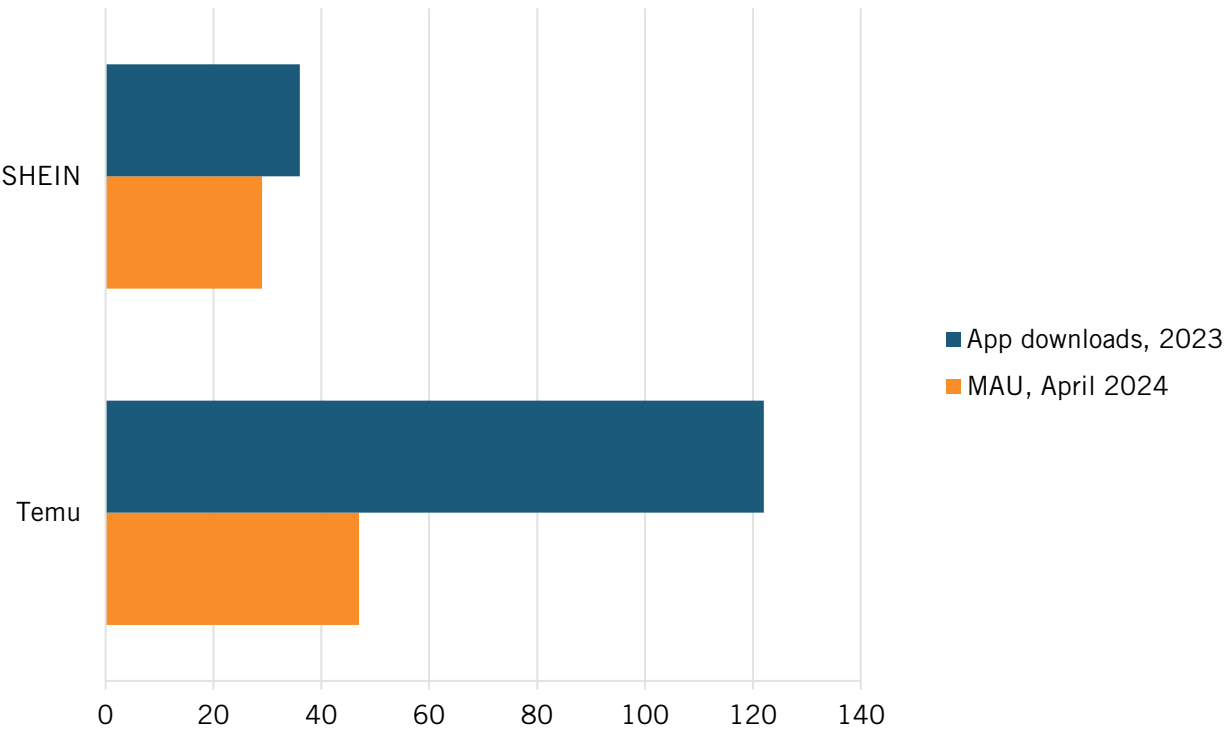
INTRODUCTION

Over the next decade, advances in artificial intelligence (AI), robotics, fintech, and more will substantially improve e-commerce in the United States—offering consumers a faster, more convenient, and more personalized shopping experience while creating more efficient global supply chains. Beneath these improvements lies a deeper question: Who will manage the systems and data that shape U.S. consumption? As American spending habits become a strategic asset in the competition between domestic and foreign e-commerce platforms, the balance of power in global trade may hinge on the policies set today.

China is aware of these stakes. In the 2021 E-Commerce Development Plan for the 14th Five-Year Plan, the official goal is to “seize the commanding heights of international competition” in the e-commerce industry.¹ The document sets two future benchmarks to accomplish this goal. By 2025, “the internationalization level of enterprises will have been significantly enhanced.”² And by 2035, “e-commerce will become an important driving force for China’s economic strength, scientific and technological strength, and comprehensive national power.”³

As of 2025, China’s e-commerce strategy appears to be on track. Chinese e-commerce platforms are growing rapidly and are increasingly popular among U.S. shoppers, as shown in figure 1. While the state’s specific goals for 2035 are vague, its aspirations are clear: Use economic levers to make e-commerce into a strategic asset to grow China’s global influence, financial footprint, and ability to compete in AI.

Figure 1: Chinese e-commerce app downloads in the U.S., 2023 and monthly active users (MAU) in the U.S., April 2024 (millions)⁴



China also views e-commerce technologies and infrastructure as dual use in nature. In 2011, state-owned enterprise defense contractors, such as China Aerospace Science and Technology Corporation, began establishing military-civil fusion e-commerce platforms under the “guidance” of industrial policy.⁵ More recently in 2024, the People’s Liberation Army’s (PLA) Central Military Commission Logistics Support Department issued a tender to procure an e-commerce platform for scientific research materials “to provide scientific researchers with a more convenient procurement model.”⁶ These examples showcase the potential—and already existent intent—for e-commerce to play a large role in China’s future military logistics strategy, from armament shipments to comprehensive supply chain management that could enhance wartime readiness by 2035.

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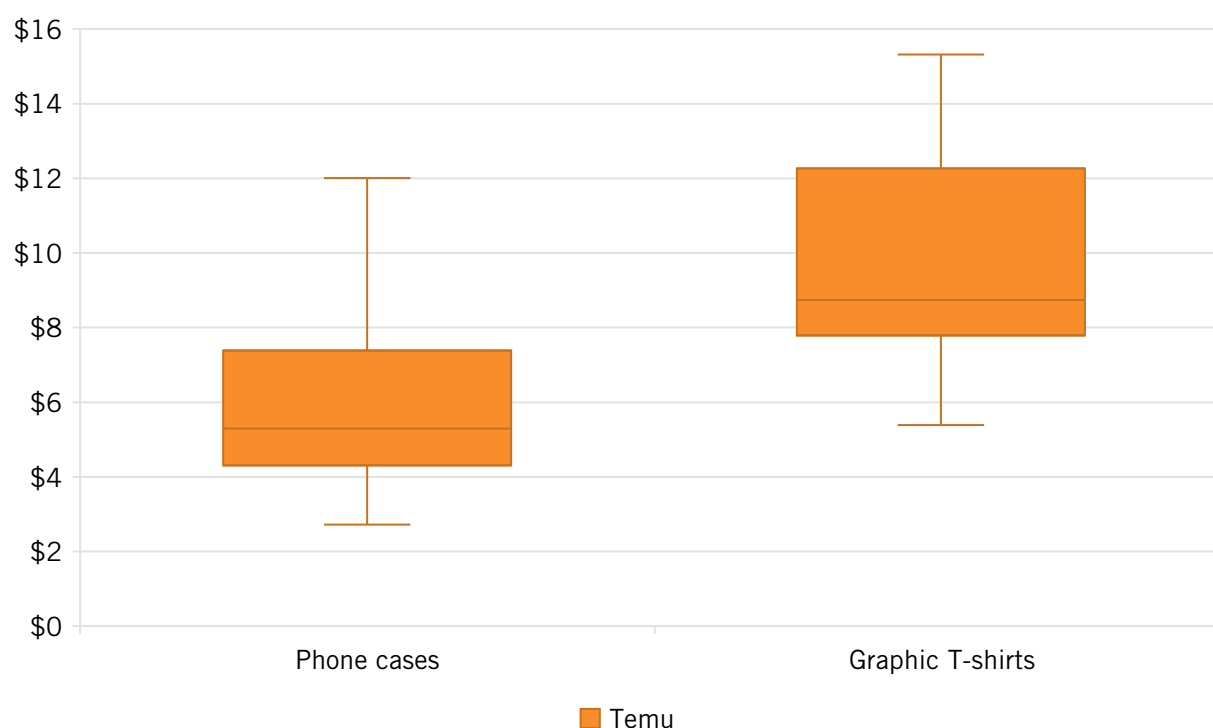
U.S. policymakers should be aware of this context as they make decisions regarding Chinese e-commerce platforms and regulate the U.S. e-commerce industry. Advantages held by Chinese e-commerce platforms in the U.S. market are not merely a result of market forces; they are deeply intertwined with state-backed strategies. This phenomenon carries two primary risks: decreased competitiveness for U.S. e-commerce companies and potential harm to U.S. consumers. Policy action is urgent.

This report analyzes government policy documents, procurement records, and other Chinese and English language sources to elucidate government support behind Chinese e-commerce platforms’ rise in the U.S. market. It specifically looks at unfair advantages held by three Chinese platforms: Temu, SHEIN, and AliExpress. The report additionally identifies regulatory loopholes that Chinese e-commerce platforms are exploiting and proposes a set of policy solutions aimed at closing them, leveling the playing field for U.S. companies and ensuring the safety of U.S. consumers. Failure to act now will not only leave U.S. companies at a structural disadvantage and expose U.S. consumers to unnecessary safety and security hazards, but also risk ceding future critical economic and technological leverage to China.

CHINESE GOVERNMENT SUPPORT FOR E-COMMERCE PLATFORMS

Chinese e-commerce platforms in the U.S. market have accomplished their rise through two forces: 1) market competition that relies heavily on exploiting favorable U.S. policies, and 2) direct and indirect government support. Chinese e-commerce platforms differentiate themselves from U.S. platforms through inexpensive prices (as shown in figure 2), a focus on viral trend-driven offerings, and a gamified shopping experience. The disruptive characteristics of Chinese platforms show how in e-commerce, just as in other sectors, Chinese businesses are increasingly innovative and international. The platforms are also adaptable and opportunistic: Through targeted marketing and competing on value, they are willing to absorb short-term losses in order to gain market share.

Figure 2: Sample price (median), Temu, March 2025⁷



China provides direct industrial support to Chinese platforms, including subsidies, tax breaks, other favorable regulatory conditions, and direct support for R&D and obtaining talent.

These market forces are informed by and, in some cases, due to industrial policy. For example, the immersive experience of Chinese platforms follows the guidance of the e-commerce development plan that “encourage[s] the development of a new generation of immersive consumer experience consumption.”⁸ Strategic messaging like this materializes into industrial policy as local governments interpret and compete over deliberately general national guidance; in recent years, local governments across China have accordingly incubated start-ups and offered subsidies for immersive consumer experience models such as live streaming e-commerce.⁹ Cheaper prices are due to structural advantages that China has across its economy such as cheaper labor costs and vertical integration, but also are due to market distorting practices such as forced labor.¹⁰

China provides direct industrial support to Chinese platforms, including subsidies, tax breaks, other favorable regulatory conditions, and direct support for research and development (R&D) and obtaining talent. The government additionally supports platforms’ future success in the United States by allocating resources toward building out overseas logistics and warehousing infrastructure that will increasingly enable Chinese platforms to compete.¹¹

This government-driven support raises questions for U.S. policymakers about the fairness of competition in the United States. Without changes to the current market and regulatory

environment, U.S. firms will likely struggle to compete with Chinese platforms that have a surplus of resources behind them—in part due to subsidies and targeted benefits—now and in the future. Exacerbating this is the fact that, unlike their U.S. counterparts, which are subject to strict consumer protection laws, Chinese platforms have a track record of operating in legal grey areas and lacking transparency, specifically relating to the sale of unsafe products, forced labor in supply chains, and violation of data privacy laws.¹² Chinese e-commerce platforms also pose threats to U.S. consumers’ data security and cybersecurity. Reporting shows that Chinese platforms’ apps collect extensive user data, exploit device vulnerabilities, and potentially expose sensitive information to the government.¹³ U.S. policymakers face a clear challenge: ensuring that the playing field remains fair while defending the innovation and resilience of the U.S. e-commerce sector.

Industrial Policy Positions Chinese Platforms for Global Leadership

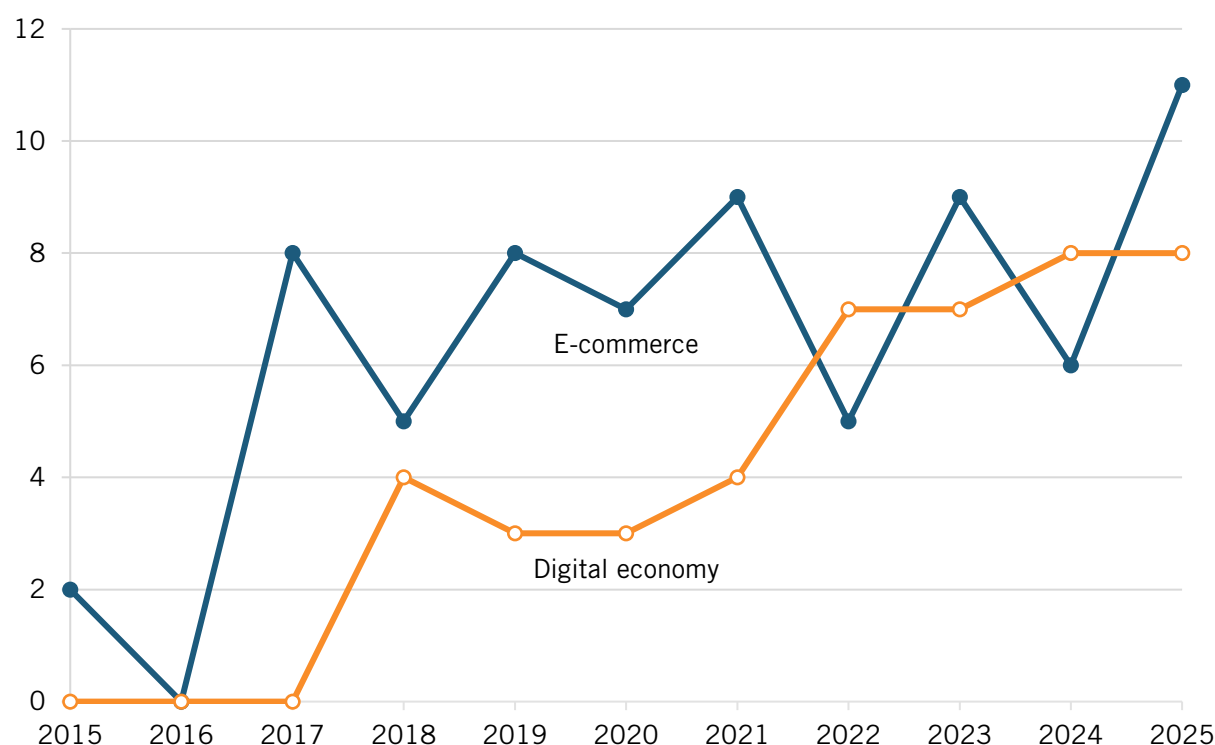
China’s e-commerce policies and laws strategically position Chinese platforms for global leadership. In 2018, E-commerce Law of the PRC marked a shift in strategy to support the expansion of Chinese e-commerce platforms internationally. The law codified intent by the state to assist in the development of China’s cross-border logistics infrastructure and boost platforms’ competitiveness in foreign markets, pledging state support “to increase the level of facilitation at every phase of cross-border e-commerce.”¹⁴ The law also directed government agencies that manage imports and exports to “increase efficiency of cross-border e-commerce services.”¹⁵

In May 2024, Xi Jinping said, “China will promote the accelerated development of new business forms and models such as cross-border e-commerce.”

In 2021, China released more-specific top-level guidance with the 14th Five-Year Plan for Digital Economy Development, which covered economic goals for digital economy between 2021 and 2026. The document urged local governments to “vigorously develop cross-border e-commerce,” and specifically encouraged policy development of cross-border e-commerce pilot zones.¹⁶ Shortly after, a group of government agencies released Several Opinions on the Regulated, Healthy and Sustainable Development of the Platform Economy and directed local governments to “support platforms to strengthen technological innovation” and “enhance the consumption creation capacity of platforms.”¹⁷

In May 2024, Xi Jinping said, “China will promote the accelerated development of new business forms and models such as cross-border e-commerce.”¹⁸ The following month, 10 government agencies put the cross-border e-commerce strategy further into effect by releasing opinions on “Expanding Cross-Border E-commerce Exports and Promoting the Construction of Overseas Warehouses.”¹⁹ The opinions operationalized previous guidance by outlining financial support mechanisms and regulatory streamlining. In general, e-commerce has consistently received strong policy focus in China. Over the past 12 years, the National Economic and Social Development Plan Report—the key speech at the National People’s Congress (NPC), China’s legislature and highest organ of state power—has mentioned “e-commerce” more often than the broader term “digital economy.”²⁰ This trend highlights the national priority placed on e-commerce, as shown in figure 3.

Figure 3: Mentions of “e-commerce” and “digital economy” at NPC, 2015-2025²¹



While a key driver of China’s international e-commerce expansion is the need to offset weakened domestic consumer demand and address industrial overcapacity, political leadership’s messaging makes clear that these policies are also about maneuvering Chinese platforms into position to lead the global e-commerce market.²² For example, in 2023, Jiang Haoran, a member of the National Committee of the Chinese People’s Political Consultative Conference (CPPCC), proposed at the NPC that local governments prioritize support for Chinese cross-border e-commerce platforms over foreign counterparts “and provide necessary assistance to the injustices they encounter.”²³ The CPPCC, a top advisory body to the Chinese Communist Party (CCP), is a key venue where national economic strategies are discussed and signaled.²⁴ While there is no direct evidence that Jiang’s proposal was formally adopted, its presence at a high-level policymaking venue reflects a broader state-driven effort to institutionalize preferential treatment for Chinese platforms.

In March 2022, Hong Yong, a researcher at the Commerce Ministry’s Institute of E-commerce as well as a contributor to the e-commerce section in the 14th Five-Year Plan, published an op-ed titled “Resolving the ‘Bottleneck’ Risk of Cross-Border E-commerce Channels” in *People’s Daily*. In the article, Hong recommended that “Chinese foreign trade companies should actively expand their business channels and get rid of their dependence,” encouraging vendors to build independent websites rather than relying on U.S. platforms.²⁵ Half a year after Hong’s op-ed, Temu was launched, offering a Chinese homegrown alternative for which Hong advocated.²⁶ Alignment between government policy and expert recommendations underscores the deliberate effort to reshape global e-commerce dynamics in favor of Chinese platforms.

Leveraging Cross-Border E-commerce Pilot Zones as a Strategic Tool for Advancing Chinese Platforms in Global Markets

China's cross-border e-commerce comprehensive pilot zones are a central component of the government's strategy to position Chinese platforms as global leaders in e-commerce. Official statements from government leaders corroborate this: At an April 2020 press conference, Ren Hongbin, then the assistant minister of Commerce and currently chairman of China Council for the Promotion of International Trade, stated that "the Ministry of Commerce will guide the comprehensive pilot zones to cultivate and develop independent cross-border e-commerce platforms."²⁷ Additionally, one of the architects of the pilot zone policy was Hong Yong, who previously advocated for Chinese vendors to reduce their dependence on foreign e-commerce platforms.²⁸

Cross-border e-commerce comprehensive pilot zones provide financial incentives that specifically enhance the competitiveness of Chinese platforms in foreign markets. While pilot-zone policies offer benefits to Chinese vendors, they also support Chinese platforms in three ways:

1) subsidizing platform-controlled logistics and warehousing infrastructure abroad, 2) reducing operational costs for platforms in foreign markets, and 3) facilitating market penetration through financial support for branding and legal protections.

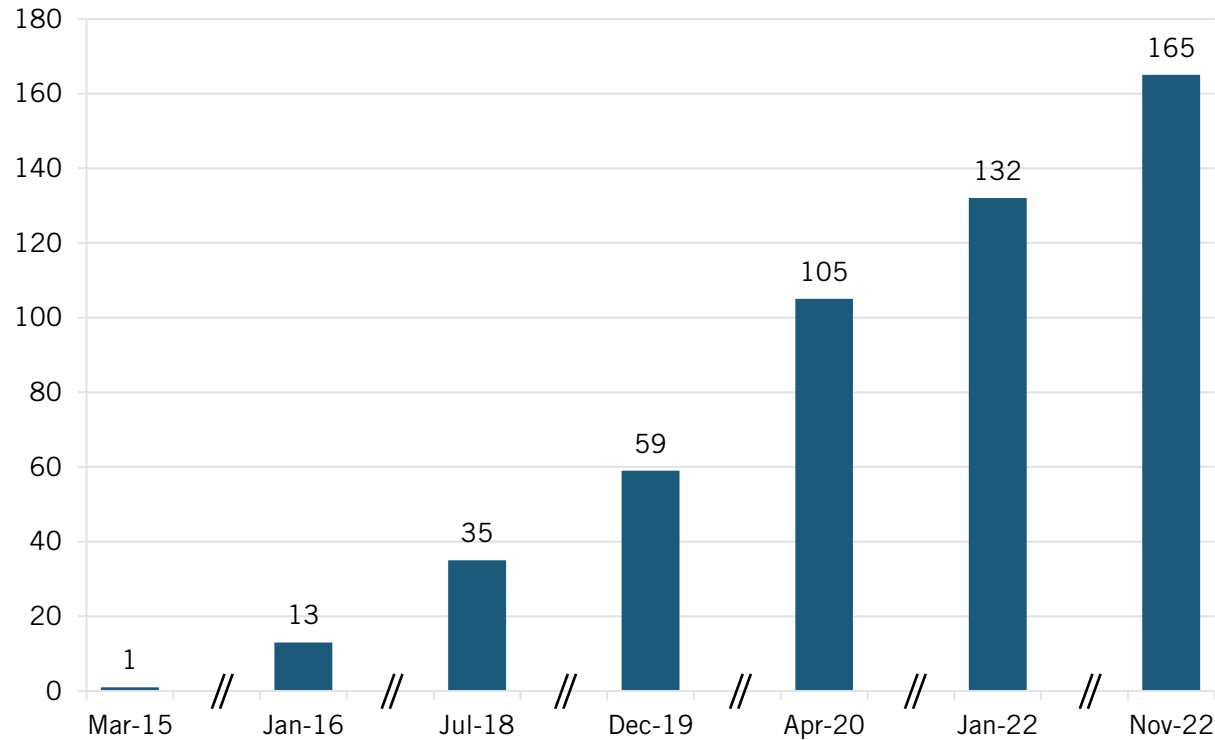
First, pilot zones incentivize Chinese platforms to establish and expand their own overseas logistics networks. Many Chinese e-commerce platforms rely on robust logistics capabilities to compete internationally, and pilot zones directly subsidize these efforts. For example, Yancheng's pilot zone offers companies that lease approved overseas warehouses and incur annual operating costs exceeding \$50,000 reimbursement for 30 percent of their actual expenses, capped at RMB 150,000 (approximately \$20,700).²⁹ Since Chinese platforms integrate warehousing into their business models, these subsidies directly reduce their costs of expansion.

Second, pilot zones help Chinese platforms maintain their foreign market operations by subsidizing their ongoing expenses. Qingyuan's pilot zone offers a one-time 30 percent reimbursement, up to RMB 200,000 (approximately \$27,600), for operational expenses such as software, marketing, and logistics. These expenses would all be critical cost components for Chinese platforms establishing their own independent presence in foreign markets; and with a reduction in the financial burden of expansion, Chinese platforms are more able to sustain operations abroad.³⁰

Third, the pilot zones actively facilitate Chinese platform competition in foreign markets by funding platform-led brand expansion and legal protections. Lishui prefecture allows cross-border e-commerce companies to receive a 50 percent subsidy for overseas trademark registration fees up to RMB 20,000 (approximately \$2,800) per trademark per country. Additionally, companies that secure overseas patents benefit from a 50 percent subsidy on application fees, capped at RMB 80,000 (approximately \$11,000) per patent.³¹ These policies directly reduce the costs for Chinese platforms to legitimize, market, and defend their brands internationally without having to fully bear these expenses. For example, SHEIN and ByteDance, which owns TikTok Shop, have successfully filed patents in the United States focused on e-commerce.³²

While the specific subsidy amounts cited may seem relatively small, they represent only single subsidies offered by individual pilot zones. As seen in figure 4, there are currently 165 pilot zones, each of which provides a wide array of incentives, with some reaching into the millions of RMB.³³ When considering the sheer number of pilot zones established over the years, the cumulative impact of these subsidies is significant. Furthermore, the pilot zones are not static. The 2025 National Economic and Social Development Plan Report pledges to “accelerate the construction of cross-border e-commerce comprehensive pilot zones.”³⁴ This ongoing commitment suggests that industrial policies channeled through pilot zones will only grow more sophisticated and impactful.

Figure 4: Chinese cities with cross-border e-commerce comprehensive pilot zones, 2015–2022³⁵



Beyond direct subsidies, pilot zones also offer additional, tailored support to platforms through the 2020 policy of “one enterprise, one policy.”³⁶ This policy allows individual companies, including e-commerce platforms, to negotiate customized government support on a case-by-case basis. While apparently foreign e-commerce platforms can technically apply to the “one enterprise, one policy” program, the program’s approach allows for discretionary decision-making that can effectively exclude foreign platforms while prioritizing the needs of domestic ones.

In other cases, foreign platforms may also technically qualify for pilot zone benefits, such as warehouse subsidies or patent application reimbursements, yet practical barriers make it unlikely that they would fully access these programs. Eligibility requirements often involve navigating a complex regulatory framework that disproportionately favors Chinese firms. Additionally, at least one government document explicitly differentiates between “professional service providers,” which lists both Chinese and foreign e-commerce platforms as examples, and “new model cross-border e-commerce platforms,” which lists only TikTok Shop, Temu, and SHEIN as examples.³⁷

This creates an official linguistic precedent for potential future policy differentiating between Chinese and foreign platforms' ability to access benefits under e-commerce industrial policies.

Moreover, many pilot zones explicitly encourage leading e-commerce platforms to establish regional operation centers, innovation centers, and distribution hubs within their jurisdictions.³⁸ In Yancheng's pilot zone, platforms that set up such facilities are eligible for additional incentives, including financial rewards of up to RMB 150 million (approximately \$20.7 million) for each new enterprise they onboard.³⁹ U.S. platforms, given their lack of a significant presence in China and little strategic incentive to establish operations in a relatively remote city, would be unlikely to invest resources to build an innovation center in Yancheng's pilot zone.⁴⁰

Overall, China's cross-border e-commerce comprehensive pilot zones serve as a strategic tool to bolster the international expansion of Chinese platforms. By providing state-backed subsidies for logistics, operational costs, and branding while simultaneously creating regulatory hurdles for foreign competitors, these pilot zones enable Chinese platforms to enter and compete in global markets with artificial cost advantages. The ostensible openness of pilot zones to foreign platforms, combined with the lack of differentiation in benefits between platforms and vendors, allows Chinese platforms to maintain plausible deniability toward claims of receiving subsidies. This structured government support distorts fair competition by allowing Chinese platforms to expand more aggressively and operate with lower financial risk than their foreign counterparts do.

Government-Backed Data Platforms Enhancing Market Expansion

The Chinese government has actively developed data-driven initiatives to support the international expansion of its e-commerce platforms, providing them with substantial advantages in foreign markets, including the United States. One example is the Credit SCO platform, which was established by Qingdao's government in collaboration with the national bloc Shanghai Cooperation Organization (SCO). As detailed in a 2022 publication from the Xiamen Guoxin Credit Big Data Innovation Research Institute, this platform serves as a centralized credit database for cross-border e-commerce firms and contains customer acquisition, credit risk protection, and financing data.⁴¹

As Chinese e-commerce platforms continue to expand into the U.S. market, policymakers should recognize that they are not simply benefiting from superior business models but are also leveraging an extensive state-sponsored data support network.

While the platform's primary focus is on SCO markets, the data and methodologies developed through this system offer Chinese platforms a strategic advantage that extends far beyond the bloc, enhancing their ability to enter and compete in other international markets, including the United States. This access to government-supplied data, while not an example of market distortion, is still effective industrial policy that could help Chinese platforms identify lucrative market segments, refine their customer targeting strategies, and make their logistical operations more efficient.

Beyond the Credit SCO platform, the government is actively developing a broader data infrastructure to support e-commerce platforms. A 2021 publication in *China Credit* magazine, which is supervised by the macroeconomic regulator National Development and Reform Commission, outlined plans to "accelerate the construction of a national e-commerce regulatory

governance platform.”⁴² The platform integrates data from multiple government agencies, including customs, tax authorities, and trade regulators, to provide Chinese e-commerce platforms with detailed insights into global market conditions, regulatory compliance requirements, and cross-border logistics. As an industrial policy tool, this platform would enable Chinese platforms to operate with greater efficiency and fewer regulatory roadblocks when expanding internationally.

Chinese platforms benefit from access to these examples of public goods: government-curated databases that aggregate regulatory, trade, and financial data.⁴³ In contrast, while U.S. e-commerce companies can access government data sources such as Census, labor statistics, and satellite data, they must often piece together fragmented, commercially available market intelligence. Furthermore, U.S. government data is not centrally curated with the specific goal of advancing domestic e-commerce companies into foreign markets, whereas in China, data platforms such as Credit SCO are structured as part of an industrial policy strategy to support e-commerce expansion. As Chinese e-commerce platforms continue to expand into the U.S. market, policymakers should recognize that they are not simply benefiting from superior business models but are also leveraging an extensive state-sponsored data support network that amplifies their competitive edge.

Competing for Talent and Innovation

Government support provided to Chinese e-commerce platforms extends beyond regulatory advantages to also focus on talent recruitment. Talent acquisition and development have become central to China's industrial policy, especially in industries such as e-commerce that require cutting-edge technologies and innovative business models to remain competitive. E-commerce talent recruitment initiatives not only work to bolster the capabilities of Chinese companies, but also create significant risks for U.S. companies through targeting of know-how and intellectual property (IP).

The U.S. government has alleged that Chinese talent programs are not only about filling workforce gaps, but are also, in effect, a vehicle for IP theft. The Federal Bureau of Investigation (FBI) has highlighted that China allows individuals already employed in U.S. companies to participate in these talent programs part-time, which enables them to maintain access to proprietary information and technology.⁴⁴ This access can become a conduit for IP transfer to Chinese competitors, thereby undermining U.S. companies' competitive edge.

By prioritizing individuals who hold valuable IP, China positions itself to directly benefit from U.S. technological advancements and innovations.

Talent programs focused on e-commerce are widespread in China. They are administered by local governments but rely on national government funding and broad-based parent talent programs. Many locally administered e-commerce-specific talent programs focus on recruiting talent from overseas.⁴⁵ One example is the National Hundred, Thousand, and Ten Thousand Talents Project, which the Ministry of Human Resources and Social Security launched with six other government agencies in 1995 and expanded to focus on e-commerce talent in later years.⁴⁶ Local governments across China use this program to offer financial benefits to highly sought-after talent in the e-commerce sector.⁴⁷ For example, Lianyungang's government wrote in 2022 that it

would recruit talent “in short supply in e-commerce from well-known e-commerce enterprises at home and abroad.”⁴⁸

The national government’s support for talent recruitment also extends to tax incentives and other financial benefits aimed at attracting high-end overseas talent. For instance, the Bao’an local government in Shenzhen offers personal income tax subsidies for “high-end overseas talents” working in its Qianhai Cooperation Zone in an e-commerce-focused policy document.⁴⁹ These types of targeted incentives are part of a broader industrial policy that ensures Chinese e-commerce platforms are not only competitive, but are also positioned to compete in international markets by leveraging international talent.

The explicit targeting of the United States by Chinese talent recruitment programs further highlights the geopolitical implications of China’s e-commerce strategy. A prime example is the Suzhou Key Industry Talent Shortage Plan for the e-commerce sector, launched in February 2025, which focuses specifically on recruiting e-commerce experts with patents recognized by the United States and other developed nations.⁵⁰ The use of a point-based system to offer higher salaries to those with U.S. patents demonstrates a deliberate effort to attract the best and brightest minds from the United States and other advanced economies.

The Chinese government enacts these talent recruitment efforts to counterbalance structural weaknesses that exist in critical industries. The proliferation of talent recruitment efforts in e-commerce are aimed at addressing a human capital issue. In 2017, the Zhejiang Institute of Talent Development published an article claiming that China’s “foreign trade majors or e-commerce graduates currently trained by colleges and universities are unable to meet the needs of cross-border e-commerce enterprises.”⁵¹ By prioritizing individuals who hold valuable IP, China positions itself to directly benefit from U.S. technological advancements and innovations.

Strategic Expansion of Chinese E-commerce Platforms Abroad

The United Front Work Department (UFWD) plays a pivotal role in strategically facilitating the international expansion of Chinese e-commerce platforms, overseeing initiatives that bridge government and private sector interests. UFWD is an agency of the CCP tasked with managing relations between the party and non-communist groups, including overseas Chinese organizations and foreign entities.⁵² UFWD also operates as a conduit for influencing foreign policy that aligns with CCP goals.

One example of UFWD overseas e-commerce work is the China-France Cross-border E-commerce Summit, cohosted by the Hangzhou Overseas Chinese Federation, which is a subsidiary of the All-China Federation of Returned Overseas Chinese (ACFROC), a UFWD agency.⁵³ The event led to the establishment of permanent centers such as the China-Europe (France) Cross-Border E-commerce Overseas Service Center, designed to provide logistical support and foster connections for Chinese e-commerce platforms.⁵⁴ Similar events and organizations exist worldwide, such as the Brazilian Chinese E-commerce Association, and in South Korea, the Federation of Chinese in Korea “strives to open up more convenient development channels in cross-border e-commerce.”⁵⁵

Recent years have seen the expansion of Chinese-headquartered associations with UFWD ties settling in the United States. One example is the US-China E-commerce & Trading Center (UCEC), a Chinese industry association with a branch in City of Industry, California.⁵⁶ UCEC’s

executive president Wang Mingming is a member of the Shenzhen Returned Overseas Chinese Federation, which is part of ACFROC.⁵⁷ UCEC works in collaboration with Shenzhen's local government and other local governments, and has branch offices in multiple cross-border e-commerce comprehensive pilot zones.⁵⁸

UCEC states that its member companies have “priority access to various government support policies, which will help companies achieve sustainable development” and “through the association, member companies can convey reasonable demands, provide feedback and make suggestions to relevant government departments.”⁵⁹ UCEC additionally runs a talent incubation base in Hong Kong that “aims to cultivate outstanding cross-border e-commerce talents and provide a steady stream of talent support for enterprises.”⁶⁰

China's strategic use of UFWD and government-affiliated organizations abroad to facilitate the global expansion of its e-commerce platforms highlights the significant advantages Chinese e-commerce platforms gain from state-backed initiatives. UCEC advertises that it is open to collaboration with U.S. enterprises, but based on its ties to the Chinese state, any policy support would likely be discretionary and weighted more toward Chinese platforms, prioritizing the government's strategic e-commerce goals.⁶¹

CASE STUDIES

Major Chinese e-commerce platforms, including Temu, AliExpress, and SHEIN, benefit from industrial policies. By leveraging government-curated data, talent programs, and subsidized infrastructure, these platforms gain a competitive edge in global markets, particularly in the United States. This section also highlights consumer protection concerns associated with these platforms, including counterfeit goods, forced labor risks, product safety issues, and data security threats. Understanding the intersection of state-backed advantages and consumer risks is critical for policymakers assessing the broader implications of Chinese e-commerce expansion.

Temu

Advantages

Temu, a cross-border e-commerce platform operated by PDD Holdings, shows the advantages Chinese e-commerce platforms can gain from government-backed initiatives as they expand into global markets, including the United States. While Temu's rapid success is often attributed to market-driven strategies such as low-cost pricing and gamified shopping experiences, a closer examination reveals that its growth is also significantly facilitated by industrial policy. Furthering Temu's relationship to the government, multiple executives within PDD Holdings' leadership previously served as CCP officials.⁶² This case study illustrates how Temu leverages government-backed resources, talent initiatives, and regulatory engagement to build a competitive advantage in the U.S. market.

Temu benefits from the state's talent and IP programs. A 2023 report from the Changning government stated that PDD Holdings, alongside three other companies, had recruited over 100 overseas talents through a government program.⁶³

PDD Holdings has close integration with pilot zones and local governments throughout China.⁶⁴ For example, PDD Holdings established the Temu Cross-border E-commerce Processing Center in Baiyun Airport Comprehensive Bonded Zone, which works in collaboration with the Guangzhou

National Cross-border E-commerce Comprehensive Pilot Zone and offers subsidies for cross-border e-commerce including warehouse rent subsidies and third-party testing fee reductions.⁶⁵ Temu's center is specifically mentioned as a priority in a Guangdong provincial industrial policy document focused on optimizing ports' business.⁶⁶

Consumer Harms

PDD Holdings has a marked track record of failing to adequately address product safety and counterfeit goods on its platform.⁶⁷ Given that Temu is operated by PDD Holdings, these issues are likely to extend to Temu, presenting consumers with the risk of purchasing misleading or substandard products. According to the United States Trade Representative's (USTR's) 2024 Notorious Markets List Review, PDD Holdings' delays in removing counterfeit listings, lack of proactive seller screening, and mislabeling of sponsored products as "authorized sellers" contribute to consumer confusion and potential financial loss. Furthermore, PDD Holdings' opaque enforcement processes and poor communication hinder efforts to track the origin and distribution of counterfeit goods.⁶⁸ As of March 2025, Temu is not a Better Business Bureau (BBB) accredited business—meaning it has not committed to adhering to BBB's standards or passed its vetting process. In fact, BBB has received over 4,000 complaints regarding Temu, and gives it a rating of "B-."⁶⁹

Temu also poses forced labor ethical concerns on consumers. According to a 2023 House Select Committee on the Chinese Communist Party report, Temu does not have a system to ensure compliance with the Uyghur Forced Labor Prevention Act (UFLPA) and "does not expressly prohibit third-party sellers from selling products based on their origin in [Xinjiang]."⁷⁰ The report additionally found evidence of a product sold on Temu advertising its Xinjiang cotton, which has been linked to forced labor violations.

Temu additionally poses data security threats to consumers. In 2023, Google suspended Pinduoduo, a sibling app of Temu also operated by PDD Holdings, from its Play Store due to finding malicious versions of the app "not compliant with Google's policy."⁷¹ Currently, the Pinduoduo app remains suspended on Google Play Store.⁷² Analysis by the Russian cybersecurity company Kaspersky shows that the app has the ability to gain access to users' personal data on their phones.⁷³ Additionally, Pinduoduo's app requests permissions atypical of e-commerce platforms, including biometric data and Wi-Fi network details.⁷⁴

The Temu app, albeit without any proven existence of malware, has its own data security concerns. Point-in-time analysis by Swiss research group National Test Institute for Cybersecurity shows that the Temu apps that were tested utilize dynamic code loading and additional encryption layers, which may obscure data transfers and make security assessments more challenging.⁷⁵ According to *New York Post* reporting from November 2024, intelligence officials said that Temu spies on its mobile app users.⁷⁶ Although there is no definitive proof of malicious activity, the opacity of Temu's data handling practices raises concerns about potential security risks.

According to research by the think tank Australian Strategic Policy Institute, Temu consumers' data is potentially shared with the state-owned People's Data, a company that plays a key role in the CCP's broader strategy of party-controlled data.⁷⁷ Through its partnerships, People's Data facilitates the exchange of data between government bodies, enterprises, and institutions, enhancing the CCP's ability to monitor public opinion and influence societal behavior both

domestically and abroad. In China, the CCP generally uses laws to enforce its political power, meaning that user data could be accessed and utilized by the state for purposes such as propaganda and national security monitoring.

AliExpress

Advantages

AliExpress benefits from extensive support from the government as it expands its presence in global markets. The Alibaba AliExpress (Guangzhou) Cross-border E-commerce Industrial Park, opened in July 2024, provides “exclusive preferential policies” for sellers, effectively creating a state-backed ecosystem to boost AliExpress vendors’ ability to operate internationally.⁷⁸ The industrial park is supported by Guangzhou government tax authorities, who provide tailored tax guidance and support for e-commerce companies, including “tax and fee implementation policy sentinel points” and personalized services through the customized “one enterprise, one policy” program.⁷⁹

In early 2025, the Wuhan government finished building the Alibaba AliExpress (Wuhan) Cross-border E-commerce Industrial Park in less than two months.⁸⁰ This reflects the extent of government assistance, as the park was constructed under a “zero employee” local government support policy, which directly allocates human capital to strengthen companies in the region.⁸¹

While foreign e-commerce platforms can and do settle in China’s industrial parks, they do not have their own, dedicated industrial parks like AliExpress does.⁸² As a result, Chinese vendors are more incentivized to sell through AliExpress rather than Western platforms, as they can access the financial, logistical, and regulatory benefits provided by these state-backed industrial parks.

Consumer Harms

According to USTR’s 2022 Notorious Markets List Review, AliExpress is a major source of counterfeit goods, harming consumers by exposing them to low-quality and potentially unsafe products. Right holders report that ineffective seller vetting and lax enforcement mechanisms allow counterfeiters to operate freely, often using fraudulent business licenses to create new accounts after being shut down. Additionally, the platform’s weak repeat infringer controls means that bad actors can continuously re-enter the marketplace, diminishing trust and making it difficult for buyers to distinguish between legitimate and fake goods.⁸³ As of March 2025, AliExpress is not a BBB accredited business, has failed to respond to 1,204 complaints, and has a BBB rating of “D-.”⁸⁴

AliExpress is also facing regulatory scrutiny in the European Union, where the European Commission has opened formal proceedings to investigate AliExpress’s failure to effectively mitigate risks related to illegal content, counterfeit goods, and harmful products, particularly those that threaten consumer health and safety.⁸⁵ Additionally, the commission is examining whether AliExpress has taken sufficient measures to prevent deceptive practices such as “hidden links,” which are used to illegally sell branded products without listing them.⁸⁶

SHEIN

Advantages

SHEIN benefits from extensive industrial policy support. The development of the SHEIN Supply Chain Headquarters in Zengcheng demonstrates the local government’s commitment to

facilitating its expansion. SHEIN was granted significant financial exemptions, such as a nearly 90 percent reduction in soil and water conservation fees, lowering its costs from RMB 297,142 (approximately \$41,300) to RMB 29,714 (approximately \$4,130).⁸⁷ Additionally, the Zengcheng government has provided SHEIN with expedited project approvals, infrastructure improvements, and customs facilitation.⁸⁸

Another example is the SHEIN (Zengcheng) Fabric Center, which was developed through a government-led initiative to revitalize idle collective land, integrating SHEIN into a broader state-backed industrial development strategy. The state-owned District Urban Investment Group played a key role in customizing supply chain facilities for SHEIN, ensuring that it had access to high-standard industrial parks under long-term cooperative agreements.⁸⁹

SHEIN also receives state-backed logistics support. In 2023, the state-owned Shenzhen Airport launched a new cargo route to Tel Aviv, Israel, specifically to “facilitate leading cross-border e-commerce companies such as SHEIN and Cainiao to expand into the Middle East market.”⁹⁰ This direct coordination between state-owned transportation infrastructure and SHEIN demonstrates how China’s industrial policy provides tangible logistics advantages that accelerate market entry for Chinese e-commerce platforms. SHEIN also operates within the Guangzhou Baiyun Airport Comprehensive Bonded Zone, alongside Temu, ensuring that its export logistics are optimized through trade policies.⁹¹

At the industry level, SHEIN enjoys strong backing from government-supported trade associations. In Shantou, the government-backed Shantou Textile and Garment Industry Association plays an active role in linking SHEIN with suppliers, providing training, and facilitating product development.⁹² These associations act as intermediaries to give SHEIN access to a well-coordinated network of suppliers and manufacturers.

In November 2024, SHEIN was selected as a Guangzhou Municipal-Level High-Skilled Talent Training Base, demonstrating its access to substantial public funding for developing human capital.⁹³ As part of this initiative, SHEIN benefits from subsidies, which can include up to RMB 500,000 (approximately \$69,000), to enhance training infrastructure, develop skills courses, and conduct research to optimize talent development.⁹⁴ Through this program, SHEIN is able to take advantage of a program designed to develop skilled workers in areas such as advanced manufacturing, the digital economy, and Internet marketing.

Consumer Harms

SHEIN’s business practices raise serious concerns regarding consumer safety and protection. The European Commission is currently investigating SHEIN for “legal content and goods on its marketplace, on the transparency of its recommender systems, and on the access to data for qualified researchers.”⁹⁵ In general, SHEIN’s low-priced offerings lead to a higher likelihood of their products containing hazardous substances. In February 2025, the U.S. Consumer Product Safety Commission issued a recall for a pajama set that violated the federal flammability regulations for children’s sleepwear.⁹⁶ SHEIN is not a BBB accredited business, so it has not agreed to adhere to BBB’s standards for trust such as “tell the truth,” “be transparent,” and “safeguard privacy”; however, to its credit, SHEIN has a BBB rating of “A.”⁹⁷

SHEIN’s reliance on a global supply chain that has been criticized for labor violations also poses a significant ethical concern for U.S. consumers. *Bloomberg* reporting from 2022 showed that

SHEIN garments were made with Xinjiang cotton, which has been linked to forced labor violations.⁹⁸ In 2023, SHEIN self-reported finding two cases of child labor in its supply chain.⁹⁹ These labor violation reports underpin the larger concern that SHEIN's low-priced business model could create a race to the bottom among competing brands in terms of labor standards, environmental sustainability, and consumer safety.

STRATEGIC STAKES

As Chinese e-commerce platforms continue their rapid expansion, consequent policy implications for the United States extend beyond market competition into economic policy, national security, and global digital governance. There are strategic stakes of Chinese state-backed e-commerce growth, including fundamental differences between U.S. and Chinese economic incentives, geopolitical risks tied to data security, and the potential for China to reshape international e-commerce standards in ways that disadvantage U.S. firms.

The rise of Chinese e-commerce platforms also has an impact on consumer choice. Ensuring a level playing field for all e-commerce platforms—domestic and foreign—will help maintain a competitive, innovative, and secure digital marketplace in the United States.

Distinguishing Between U.S. and Chinese Economic Incentives

While the United States also provides advantages to American e-commerce companies through state-level tax breaks, infrastructure incentives, and business-friendly policies, U.S. economic development incentives are fundamentally different from China's targeted industrial policy. U.S. incentives are broad-based, applying to businesses across industries rather than specifically designed to propel U.S. e-commerce platforms toward international expansion.¹⁰⁰ In contrast, China's subsidies are explicitly structured to promote the international expansion of its e-commerce platforms.

From an economic standpoint, China's interventions create market distortions that go beyond standard business incentives, such as the U.S. federal research and development tax credit. China directs financial subsidies, tax breaks, and integration with state-owned infrastructure to significantly lower operational costs for Chinese platforms and their suppliers, allowing them to engage in aggressive pricing strategies and create artificial economies of scale.

From an economic standpoint, China's interventions create market distortions that go beyond standard business incentives, such as the U.S. federal research and development tax credit.

Finally, there are the strategic implications of state support for e-commerce champions. China has explicitly framed e-commerce as a pillar of its global strategy, with ambitions to leverage these platforms for economic, technological, and geopolitical dominance. By 2035, China intends for e-commerce to be a critical driver of its comprehensive national power, integrating it with military and technological advancements. This government-driven focus creates a competitive edge that extends far beyond market dynamics, as Chinese e-commerce platforms are not only business entities but also instruments of state policy. This makes the stakes of fair competition in the United States much higher, as it ties into broader concerns over China's long-term ambitions.

Data Security and Geopolitical Implications

China's support for its e-commerce platforms in the context of data security and foreign influence carries significant implications for the United States. As part of China's broader strategy to enhance its global power, Chinese e-commerce giants are likely to be complicit in the collection and sharing of data, both domestically and internationally. U.S. policymakers must contend with the potential for China to leverage this vast amounts of consumer data not only to strengthen its own economic interests but also to pursue intelligence-gathering objectives.

A 2024 PLA tender, for example, procured a portable surveillance device and explicitly mandated that the device must “support extracting data from JD.com, Taobao, and Pinduoduo.”¹⁰¹ This suggests that China's security apparatus is actively seeking to exploit user data from e-commerce platforms for surveillance and intelligence purposes. Given the reach of these platforms and the increasing integration of data-sharing practices, the stakes for U.S. citizens' privacy and national security are high.

This concern deepens when considering the broader geopolitical implications of state-backed e-commerce platforms. With these platforms positioned as both economic drivers and instruments of state policy, the Chinese government can dictate how and where it accesses critical data. By exploiting e-commerce platforms as tools for data collection, China could build extensive global databases that extend beyond Chinese borders, including the United States. As e-commerce becomes a more integral part of global commerce, U.S. policymakers face the challenge of safeguarding against Chinese surveillance through private sector actors and the potential use of this data for geopolitical leverage.

If Chinese platforms such as Temu, SHEIN, and AliExpress grow to dominate the international e-commerce landscape, U.S. companies may face increasing pressure to comply with Chinese e-commerce standards in order to maintain access to crucial markets.

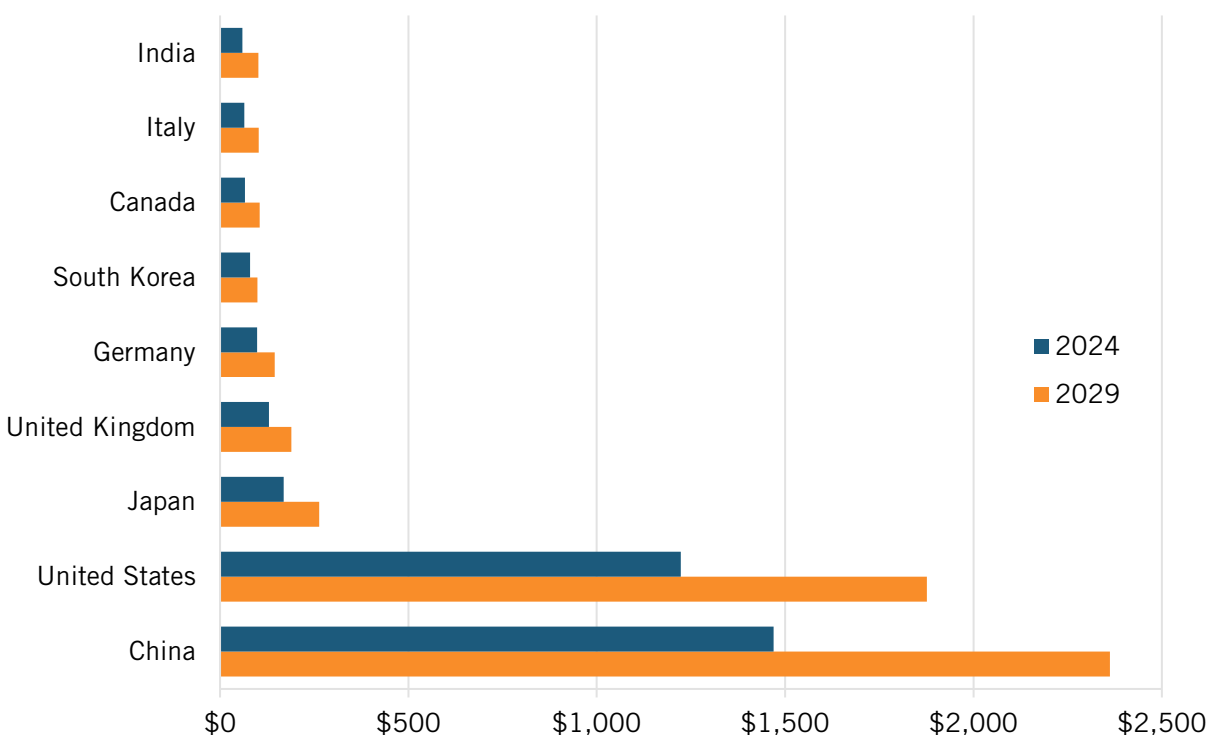
Additionally, China is increasingly proposing international e-commerce standards, which presents significant challenges for U.S. policymakers. Newly proposed e-commerce standards reference and attempt to strengthen other Chinese standards, such as the GB/T28448-2019 network security classification framework.¹⁰² GB/T28448-2019 establishes guidelines for classifying security levels of information systems, with implications for data protection, cybersecurity compliance, and government oversight.¹⁰³ This nexus could potentially tie cross-border e-commerce data to China's cybersecurity regulations, subjecting foreign platforms and their data to Chinese state oversight in the future. If Chinese platforms such as Temu, SHEIN, and AliExpress grow to dominate the international e-commerce landscape, U.S. companies may face increasing pressure to comply with Chinese e-commerce standards in order to maintain access to crucial markets.

U.S. Consumer Choice Beyond Great Power Competition

Addressing Chinese e-commerce industrial policy does not mean American consumers will face a marketplace solely dominated by U.S. e-commerce platforms. As shown in figure 5, according to sales estimates by country, China, followed by the United States, is the current and projected future leader in gross merchandise value of e-commerce globally. However, the U.S. market will likely remain an open ecosystem in which consumers will have diverse platform choices. The

U.S. e-commerce landscape will also likely grow more diverse, not less. Other countries, inspired by China's digital success, are developing their own innovative e-commerce platforms.¹⁰⁴ Global e-commerce competition ultimately benefits U.S. consumers by driving innovation and competitive pricing across all platforms. The goal of addressing Chinese industrial policy in e-commerce should not be to eliminate foreign platforms, but rather to ensure all participants—domestic and foreign—operate by the same rules without unfair advantages from state subsidies, violations of international rules and norms on labor practices and product safety, or data practices that compromise security.

Figure 5: Estimated gross merchandise value revenues (in billions) in e-commerce segments by country in 2024 (estimated) and 2029 (projected)¹⁰⁵



POLICY RECOMMENDATIONS

To effectively respond to the challenges posed by Chinese state-backed e-commerce platforms, U.S. policymakers should focus on two main priorities: protecting U.S. consumers and businesses from unfair competitive practices, and strengthening the U.S. e-commerce industry to remain globally competitive.

The first set of recommendations addresses immediate risks, including unfair trade advantages, data security concerns, and consumer protections. The second set of recommendations focuses on bolstering the long-term resilience and innovation capacity of the U.S. e-commerce sector to ensure that U.S. platforms can thrive in an increasingly digital and globally competitive market.

Protecting U.S. Consumers and Businesses in the Global E-commerce Landscape

To respond to the unfair advantages posed by China's industrial policy toward its e-commerce platforms competing in the United States and resulting consumer harms, Congress should do the following:

1. **Address the de minimis loophole.** Temu's and SHEIN's aggressive usage of the de minimis rule has exposed significant vulnerabilities within U.S. import and customs processes. With de minimis already under scrutiny, the Trump administration is likely to push for reforms that curb its exploitation by Chinese e-commerce platforms. Section 321 of the Tariff Act of 1930 allows importers to bypass customs duties on packages valued at \$800 or less, making it easier for Chinese e-commerce platforms to flood the U.S. market with low-cost goods without contributing to the federal revenue through duties.¹⁰⁶ This not only creates an unfair competitive advantage for Chinese platforms over U.S. businesses that pay full duties, but also exacerbates the strain on U.S. Customs and Border Protection (CBP). The lack of detailed scrutiny for these shipments allows illicit goods, including counterfeit items, to enter the country with minimal oversight, ultimately harming consumers.

In response, Congress should create a carve-out allowing Chinese sellers on U.S. e-commerce platforms to continue using the de minimis exemption on Chinese imports, due to their higher consumer protection standards.¹⁰⁷ Chinese e-commerce platforms should not receive the same carve-out, and instead, Congress should create a trusted shipper program for Chinese e-commerce platforms to enable CBP to process packages from these companies more efficiently. Such a program would allow select platforms that implement higher vetting standards to ship a capped amount of certain product categories from Chinese vendors with fewer inspections.¹⁰⁸

To enable CBP to address a dramatically increased workload resulting from any de minimis reform, it should invest in AI solutions to screen low-value shipments from China. CBP should additionally use procurement power to encourage the development of software solutions for dealing with counterfeit and other product safety challenges faced in import monitoring.¹⁰⁹

2. **Direct CBP to create an interagency verification regime for e-commerce platforms by conducting randomized audits to verify their entire supply chain, including sourcing, manufacturing, and distribution.** Audits should focus on enforcement of ethical sourcing laws such as the UFLPA, checking IP legitimacy, preventing product safety risks, and evaluating potential national security supply chain dependencies or risks. This would level the playing field by setting an equally high bar of standards for all platforms operating in the United States, regardless of the nationality of the platform owner. This would also mitigate against and add redundancy to insufficient measures such as vendor self-certification or platform third-party certification.¹¹⁰
3. **Pass federal data protection legislation that requires data controllers, such as e-commerce apps, to declare when data they collect is accessible by a country of concern.**¹¹¹ Congress should also direct the Federal Trade Commission (FTC) to develop data governance rules for apps and online services operated by Chinese companies that want to prove that their data collection practices do not expose U.S. user information to adversarial governments.

Congress should also direct the Office of the Director of National Intelligence to compile a comprehensive report detailing what is known about China's legal, extralegal, and extra-territorial access to data collected by Chinese companies and through data brokers, using both declassified intelligence assessments wherever possible and open source findings.¹¹²

4. **Direct the Department of Commerce (DOC) to lead efforts in developing internationally recognized technical standards for cross-border e-commerce, with a focus on privacy, cybersecurity, and data governance.** These standards should be designed to promote transparency, security, and user protection while preventing state-sponsored manipulation. Relying on industry collaboration, DOC should subsequently champion its standards within global standard-setting bodies such as ISO/IEC. These efforts can ensure that the United States maintains a leading voice in international efforts to establish global e-commerce standards and provide a counterweight to China's growing influence in these bodies.
5. **Enhance consumer education on risks of cross-border purchases.** Congress should direct CBP to expand its pre-existing e-commerce digital literacy program to also help consumers understand the implications of purchasing from foreign platforms, including data privacy considerations, product safety standards, ethical sourcing issues, and recourse options for disputes.¹¹³
6. **Strengthen protections against IP leakage and targeted Chinese talent recruitment in e-commerce.** Congress should direct DOC, in coordination with the Department of Homeland Security, to conduct risk assessments on foreign recruitment efforts targeting U.S. employees with expertise in critical areas of cross-border e-commerce that the Chinese government has stated it is targeting in talent recruitment, including foreign trade rules, platform operations, website development, and network security.¹¹⁴ Congress should also direct FTC to evaluate the use of noncompete agreements and other legal mechanisms, ensuring that U.S. companies can protect proprietary technologies while maintaining fair labor practices.

Strengthening U.S. E-commerce Amid Global Competition

To accelerate the competitiveness of the U.S. e-commerce industry in the face of challenges posed by Chinese e-commerce industrial policy, future implications of sovereign e-commerce global market share, and e-commerce's importance for the U.S.'s digital economy, Congress should do the following:

1. **Implement reciprocal market access standards.** Congress should direct DOC, in collaboration with FTC and USTR, to create a framework requiring foreign countries with e-commerce platforms operating in the United States to provide equivalent market access to U.S. companies in their home markets. It is not enough for foreign governments to simply refrain from blocking U.S. online services; they must also eliminate other barriers, such as complex regulatory requirements and policies that disproportionately favor domestic companies, that make it unrealistic for U.S. companies to compete. This proposal follows the World Trade Organization's principles of reciprocity when nontariff barriers are being implemented by foreign countries.¹¹⁵

2. **Assist U.S. e-commerce platforms in leveraging opportunities presented by China's e-commerce industrial policy.** DOC's International Trade Administration (ITA) has given guidance in the past that U.S. firms can benefit from streamlined customs procedures through China's Pilot Zones.¹¹⁶ Congress should direct ITA to expand this guidance to help U.S. e-commerce platforms identify and leverage similar opportunities offered by China's e-commerce industrial policy.

Through public-private partnerships, any results should be shared in order to inform future policy decisions toward Chinese e-commerce industrial policy. If it turns out that China is unwilling to allow U.S. platforms access to these benefits, Congress should direct ITA, in coordination with USTR and the State Department, to develop follow-on policies such as reciprocal actions or targeted trade measures to address the lack of fair market access.

3. **Congress should use tax incentives and other economic levers to support U.S. e-commerce companies investing in next-generation logistics infrastructure, including automation and robotics.** To encourage these investments, Congress should restore and make permanent the full expensing provision for capital equipment investments, which is set to expire after the end of 2026 under the current Tax Cuts and Jobs Act.¹¹⁷ This provision enables companies to deduct the real value of their equipment in the first year, incentivizing investment in new technology. Additionally, Congress should direct DOC to collaborate with the Department of Labor and other relevant agencies to develop proactive tax policies that avoid penalizing automation and robotics adoption.

Furthermore, Congress should prioritize the integration of robotics automation within government warehouses and postal services. The Department of Defense and United States Postal Service should work with external contractors to incorporate robotic technologies in warehouses and sorting facilities in order to improve efficiency. In parallel, Congress should allocate funds for the National Science Foundation to increase robotics research funding, supporting projects that complement automation technologies, thereby improving U.S. competitiveness in global e-commerce.

CONCLUSION

In a rapidly evolving digital economy, the United States should recognize that the future of e-commerce is not just about consumer choice; it is also about global power dynamics. China's strategic use of e-commerce platforms as tools for economic and geopolitical dominance have created a high-stakes race in which policies crafted today will shape the global digital landscape for decades. The United States has the chance to set the terms of this competition, but time is running out. If policymakers fail to address the advantages leveraged by Chinese state-backed platforms, they risk not only compromising the competitiveness of U.S. businesses, but also ceding influence over critical data assets to America's chief rival.

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