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# Investing in Great Power Tech Competition:

## Early-Stage Deep Tech Investment in the US and China

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**Private capital flows (private equity & venture capital) investing in “deep tech” verticals have emerged as a channel for great power competition with China**



## Deep tech investment is a critical force shaping the future of US-China tech competition

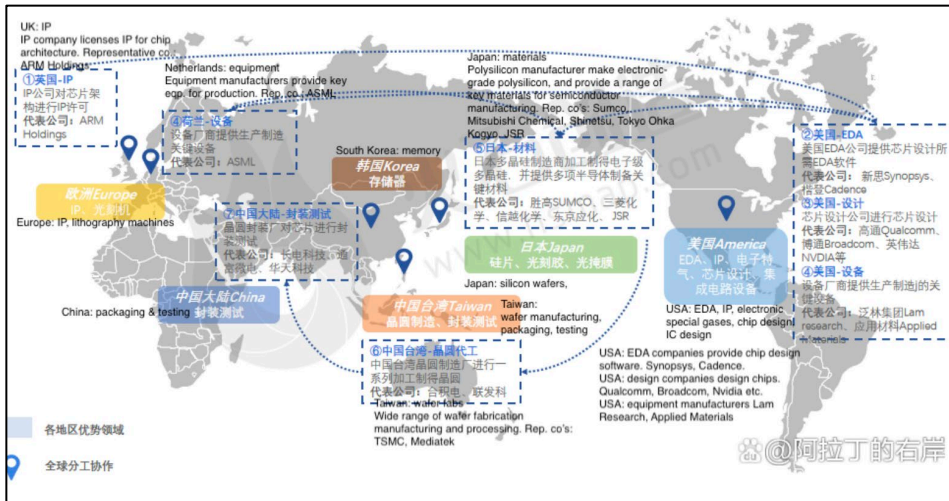
- Trends in R&D and warfare have elevated the importance of commercial technology

- China has positioned well for these trends

- As “innovation” is increasingly commoditized, pools of entrepreneurial capital and know-how that propel application and scale of breakthroughs has become a competitive center of gravity

# “Bring In” and “Go Out” flows – of capital and technology – support China’s strategy for defense acquisition

Semiconductor Value Chain Supply Ties



Sino-European Cooperative Industrial Parks



Unlike the Soviet Union,  
China does not contain itself

# China is further ahead than conventional metrics might suggest

**40%** of China's "unicorns" are deep tech startups



And China's strategy of military-civil fusion optimizes for translating deep tech outputs for military modernization and power projection



China's tech acquisition playbook shrewdly leverages overseas investments, joint ventures, and "localization" beachheads for access to breakthroughs developed abroad

Alphawave IP Announces Completion of Acquisition of OpenFive USA - English



# Generating a competitive response requires

## Defending at the upstream in “industries of industries”

force distance **times**

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### All Hat No CATL: Are State Leaders Wising up to China’s Industrial Threat?

By Emily de La Bruyere and Nathan Picarsic

March 2, 2023



Two weeks ago, Ford announced that – amid escalating US-China industrial tensions – it would collaborate with a Chinese State-backed supplier in establishing a 3.5 billion USD battery plant for electric vehicles in Michigan. Ford will license technology, including technical expertise, for the facility from Contemporary Amperex Technology Co., Ltd (CATL).

## Applying the fruits of private market investment

Businessweek | Technology

### A Rare Military Tech Unicorn Looks Past Afghanistan War

Shield AI initially made drones to protect ground troops, but it has raised \$210 million to expand to larger aircraft in more complicated situations.



Drones at Martin UAV's manufacturing facilities in Prosper, Texas. Photographer: Allison V. Smith for Bloomberg Businessweek

By Joshua Brustein

August 24, 2021 at 11:00 AM EDT

## Securing weapons program supply lines relevant for great power deterrence

Bloomberg

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### F-35 Deliveries Halted Over a Chinese Alloy, Pentagon Says

- Alloy in magnets poses no flight safety issue, Pentagon says
- Operations of F-35s already delivered aren't interrupted



Attendees take photographs of the Lockheed Martin Corp. F-35 at the Farnborough International Airshow. Photographer: Simon Dawson/Bloomberg

● Private market capital flows are a relatively novel feature of the defense acquisition ecosystem

● China has positioned well for the increasing relevance of private market capital flows to military modernization and power projection

● Enduring American strengths in technology and capital markets provide the basis for competitive strategies to be deployed in private equity and venture capital; but that will require new models for public-private partnership and increased awareness of adversarial positioning



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