

The United States Innovation and Competition Act

THE ISSUE

On May 17, 2021, the U.S. Senate began debate on the United States Innovation and Competition Act. The bill is a legislative package combining six proposals that Senate Majority Leader Chuck Schumer (D-NY) tasked committees with developing back in February to deal with the competitive challenge from China. The constituent parts of the bill currently include the [Endless Frontier Act](#), the [Strategic Competition Act](#), the [Meeting the China Challenge Act](#), a group of [proposals](#) from the Homeland Security and Government Affairs Committee, and language from both the Judiciary Committee and the Committee on Health, Education, Labor and Pensions.

The bill currently:

- **Authorizes or appropriates more than \$200 billion in spending**, primarily due to \$52 billion in subsidies for the semiconductor industry and support for new tech research and development (R&D) mandates for the National Science Foundation and the U.S. Department of Energy (DOE).
- **Specifies an initial list of 10 “key technology focus areas”** for a new technology directorate of the National Science Foundation and the DOE. Much, if not most, of this work is already being accomplished in the DOE, which has research facilities dedicated entirely to certain of the listed focus areas.

Furthermore:

- Concerns about the security of new research and funding have not been addressed. Both the Republican Study Committee and Senator Marco Rubio (R-FL) have raised this issue. The set of proposals from the

Homeland Security and Government Affairs Committee on this appear insufficient and more concerned with protecting the U.S. government procurement market.

- There will be funding for the Public Wireless Supply Chain Innovation Fund and the Multilateral Telecommunications Security Fund to address concerns over the future of telecommunication networks, Open Radio Access Network (O-RAN) adoption grants, the applied research test bed housed at the National Telecommunications and Information Administration, and to promote international standards-setting.
- Authorizations for foreign-affairs-related spending mostly involve rebalancing traditional spending on foreign assistance, military aid, diplomatic engagement, and public diplomacy toward the Indo-Pacific. The bill also includes a Millennium Challenge Corporation-style pilot program for performance-based military assistance and a fund to counter the Chinese influence globally.
- The Senate Banking Committee included new mandatory sanctions on Chinese entities engaged in cyberattacks or theft of U.S. intellectual property. The committee also mandated a review of export controls to ensure that the U.S. is not allowing the export to China of tools of oppression.
- The Commerce Committee included a codification of annually extended prohibitions on U.S.–China space cooperation. There are also positive sections on aeronautics

and space technology focused on unmanned systems, small spacecraft technology, nuclear propulsion technology, and space orbital debris awareness and capabilities.

- This bill states that one of its goals is to combat sexual harassment against women. It then adds the categories of gender and gender identity. These categories make people’s subjective sense of whether they are a man, a woman, or other gender identity equivalent to biological sex. Gender and gender identity undo the meaning of the term “woman” by unmooring it from biological realities. It also undermines any safeguards or measures created to protect women.

WHAT CONSTITUTES THE “CHINA CHALLENGE”?

The U.S. is in a long-term strategic competition with China. This competition spans the full range of national power—diplomatic, informational, military, and economic. On economics, U.S. strength lies in the dynamism of its market, not the intersection of business and government, and certainly not in industrial policy.

China is effectively competing for diplomatic space around the world. Its success will further Chinese interests and constrain America’s efforts to achieve its own, particularly in the Indo-Pacific.

In pursuit of securing its rule at home, dominating its immediate region, and gaining global influence on par with the U.S., the Chinese Communist Party (CCP) is engaged in the theft of American-held intellectual property and espionage in the U.S. at a level unseen since the Cold War.

Beyond concrete interests, such as peace and security and the free flow of trade, at stake in this competition is a set of international values, including freedom of expression, a free media, property rights, and a right to personal conscience. The CCP, for its own purposes, is promoting a different value set.

HOW DOES THE AMERICAN INNOVATION AND COMPETITION ACT AFFECT AMERICA’S COMPETITIVE POSITION IN RELATIONSHIP TO CHINA?

- As currently drafted, the bill spends billions on special interests and managing the U.S. economy in areas where the private sector has already proven itself effective.
- The role of government in safeguarding the access of U.S. military and intelligence agencies to critical technologies and protecting American-developed advances is a narrow one. The American semiconductor industry and other tech sectors are already competitive without the support offered in this legislation.
- The bill creates foreign policy frameworks and makes wise investments in U.S. capacity to compete diplomatically in the Indo-Pacific. The Taiwan provisions, especially regarding the need for a U.S.–Taiwan Free Trade Agreement, are well-crafted.
- There are several provisions in the bill promoting internationally recognized human rights that support American values and enhance the U.S. strategic position.
- The bill’s provisions for punishing cyberattacks and intellectual property theft will help to provide necessary levels of protection on the home front.

Overall, as currently written, the bill does more to damage the U.S. economy and address domestic concerns unrelated to the China challenge than it does to improve America’s competitive position.