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America COMPETES: The House "China Bill"

THE ISSUE

The House of Representatives is poised to pass the America COMPETES Act, the House's legislative response to the Senate's United States Innovation and Competition Act, formerly known as the Endless Frontier Act. Both proposals are ostensibly aimed at countering the China threat, but the House version has very little to do with actual China policy. Despite a handful of useful foreign policy and security provisions, the act's overwhelming impact would be to undermine America's ability to compete effectively with China.

MORE AN INFRASTRUCTURE BILL THAN A CHINA BILL

- **Contains changes in law and establishes new government functions with no relevance to dealing with the China threat,** including a range of energy, environment, and education programs as well as incentives for small business, support for the solar industry, collective bargaining mandates, and an entire "Buy American Seafood" title.

- **The act's trade section is riddled with policies that expand the scope of government interference in the economy** are more geared toward issuing handouts to politically connected industry and interest groups than they are toward making the U.S. a more competitive place in which to do business. In seeming acknowledgement that these policies will kill American jobs, America COMPETES dramatically expands controversial Trade Adjustment Assistance (TAA) to ensure generous government handouts.

- **Authorizes or appropriates $318 billion in wasteful spending,** including $50 billion in subsidies for the semiconductor industry with no guardrails to prevent the new funding from benefiting China, $45 billion for virtually any other manufacturing that can meet an overly loose definition of "critical," $78 billion for the National Science Foundation that is unrelated to China, and $8 billion for the Green Climate Fund.

INSTEAD OF INCREASING AMERICA'S COMPETITIVENESS, SUBSIDIZING CHINA'S INDUSTRY BY UNFAIRLY REWARDING LIBERAL POLITICAL CONSTITUENCIES INCLUDING BIG TECH

- There is no requirement in the bill that would alter the business models of recipient companies that are currently doing business with China. Except as they may fall under the restraints of export controls, the bill does not restrict exports of subsidized inputs into Chinese manufacturing. This effectively means subsidizing Chinese industry.

- Big tech companies receiving benefits under this bill, including foreign-headquartered companies, have invested billions of dollars in China. Every dollar given them by the U.S. government is both compensation for that investment and an incentive to invest more in China. Beijing is giving these companies plenty of business reasons to shift operations out of China. They don't need help from the American taxpayer.

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- There is nothing to guarantee that the $50 billion in subsidies for commercial production of microchips will not go to low-end technology. In fact, there is specific funding for the production of chips for use in auto manufacturing that have nothing to do with national security.

- The other crisis the bill attempts to use to its advantage is the microchip shortage. The shortage will have ended long before the first check is cut to the recipient companies, which will be both American and foreign headquartered.

- Concerns about the security of new research, most prominently raised by Senator Marco Rubio (R–FL), have not been addressed. This leaves open the possibility that federally funded research could leak to China.

SAMPLING OF OTHER DAMAGING PROVISIONS

- **Undermines America's leverage in pursuing its interests and advancing reform in international organizations.** The bill establishes as policy that the U.S. pay assessed dues to multilateral organizations in full and on time. In the past, the U.S. has withheld funding when international organizations pursue policies and actions counter to U.S. interests and to encourage them to address corruption, combat sexual exploitation and abuse, increase transparency and accountability, counter anti-Israel bias, and adopt other reforms.

- **Expands the federal footprint in education,** not only edging out private businesses in creating apprenticeship programs, but also crowding out state efforts that would be able to design such programs more carefully to meet the needs of their own residents. There are also grant programs that call for new federal money for K-12—again expanding Washington's reach.

- **Antidumping and countervailing duty provisions help to ensure that uncompetitive businesses in the U.S. can erect barriers** against their competitors with little evidence of actual harm caused to those businesses. The Import Security and Fairness Act title sounds as though it would target China, as it would prevent non-market economies from benefitting from U.S. *de minimis* laws that waive tariffs for imports valued under $800, but it would largely target small businesses that get low-valued goods or inputs from Chinese suppliers.

- **Includes elements of the Green New Deal and condones the Biden Administration's regulatory onslaught against coal, oil, and natural gas** (providing 80 percent of America's energy needs) and the Administration's unilateral commitment under the Paris Agreement—for which the constitutionally required "advice and consent" of the Senate was not sought.

WRONG BILL FOR THE WRONG SET OF ISSUES

The U.S. is in a long-term strategic competition with China. It is the most critical and consequential international threat that the U.S. faces. This competition spans the full range of national power—economic, military, diplomatic, and informational.

The America COMPETES Act fails to address this challenge. And by creating additional debt, adding to inflationary pressure, increasing regulatory costs, and intervening in the market on behalf of well-connected business interests, it would damage the U.S. economy.