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GEOTECH

GEOTECH COMPETITION
PATHWAYS APRIL 2024



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GEOTECH COMPETITION PATHWAYS 2024

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Table of Contents

- Introduction 3
 - United States House of Representatives China Select Committee 3
 - Key Technology Export Controls 5
 - Outbound Investment Policy 6
- Look Ahead: Second Biden Presidential Term vs. a Second Trump Term..... 7
 - Trade Lessons from IPEF and Future Trade Prospects 8
- Overview of U.S. Economic Security Policies in 2024 9
- Conclusion & Recommendations 11
- Acknowledgements 14

Introduction

The United States is poised to build on policy moves and approaches to economic security set in motion through 2023 as the government navigates a presidential election year, and looks ahead to the next presidential administration. The Biden administration national security team and key Members of Congress have focused on various measures already, including domestic technology capability investments, trade measures, export controls, outbound investment limitations, Committee on Foreign Investment in the United States (CFIUS) reviews, supply chain security initiatives with allies, as well as public shaming of private sector actors investing in firms with links to Chinese military capabilities.

The United States is now moving into a second phase following earlier passage of the Creating Helpful Incentives to Produce Semiconductors for America (CHIPS) Act, the Inflation Reduction Act, and other measures to address its domestic economic security concerns. These first round moves still face inevitable implementation challenges, and a more robust, long-term trade strategy is needed that addresses deeper supply chain issues, workforce development and industrial base considerations, as well as revisions and refinements to the initial efforts on export controls and other nascent policies.

At the end of 2023, the House Select Committee on the Competition with the Communist Party of China (China Select Committee) released an extensive series of recommendations on how best to shape many of these policy priorities. While U.S. businesses track these Congressional proposals, greater pressure on U.S.-China economic relations continues to come from China's economic downturn and business-unfriendly policies by the Chinese Communist Party (CCP). Meanwhile, as the United States soon enters the general election phase of the presidential election, and political rhetoric heats up, Congress is already struggling to compromise even on the basics like a federal budget for the current fiscal year. This report thus looks ahead to the prospects of U.S. strategy on Geotech competition and the likelihood of progress on these measures as a potential second Biden term, or possible second Trump term, looms over the horizon in 2025.

United States House of Representatives China Select Committee

Late last year, the China Select Committee approved a bipartisan report¹ called Reset, Prevent, Build: A Strategy to Win America's Economic Competition with the Chinese Communist Party with over 150 policy recommendations, including several in the Geotech domain. These included supporting proposals to:

- Move the People's Republic of China (PRC) to a new tariff column that aims to restore U.S. economic leverage, and ensures that the PRC abides by its trade commitments;
- Renew the China Safeguard mechanism, under Section 421 of the Trade Act of 1974;

¹ United States House Select Committee on Strategic Competition between the United States and the Chinese Communist Party, "Reset, Prevent, Build: A Strategy to Win America's Economic Competition with the Chinese Communist Party." December 12, 2023. <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>

- Reduce the *de minimis* threshold for duty-free shipments into the United States;
- Pass the Reveal Risky Business in China Act to require that large U.S. public companies disclose key risks related to the PRC, and the effects of an unforeseen change in market access;
- Direct the administration to implement Section 232 of the Trade Expansion Act to distinguish allied imports and those from countries like China;
- Direct the Commerce Department to impose import duties on “foundational” semiconductors from China;
- Enact the Chinese Military and Surveillance Company Sanctions Act to authorize the Treasury Department to sanction Chinese companies tied to the People’s Liberation Army;
- Fully fund the Rip and Replace Program to remove Huawei and ZTE telecommunication equipment from U.S. telecommunications networks;
- Force divestment or ban social media application TikTok from the U.S. market;
- Strengthen the Federal Communications Commission’s “Covered List” of telecommunications equipment and services;
- Enact authorities to allow the U.S. president to ban from adversarial countries advanced technology imports such as those associated with quantum computing, biotechnology, artificial intelligence, autonomous systems, and surveillance technology;
- Enact legislation to prohibit U.S. federal agencies from purchasing drones made in adversarial nations;
- Require the Commerce Department to examine the national security threat from Light Detecting and Ranging (LiDAR) technologies manufactured in an adversarial nation;
- Pass comprehensive data privacy legislation;
- Pass legislation to generally prohibit investment in Chinese companies included in U.S. government sanctions and red flag lists;
- Pass legislation to prohibit the U.S. federal employee pension fund, the Thrift Savings Plan, from investing in Chinese companies that are under U.S. human rights sanctions;
- Increase resources to Commerce’s Bureau of Industry and Security to execute on export controls more effectively;
- Require the Commerce Department to establish a cloud computing end-use rule to limit export of this key technology to adversarial nations;
- Expand CFIUS to strengthen its legal authorities and resources in order to combat more effectively Chinese technology imports to the United States;
- Strengthen U.S. research security and defend against malign human resources recruitment;
- Invest in American innovation and strategic sectors and create tax incentives to encourage targeted, private investment in key areas;
- Execute a talent strategy to promote research and development in critical and emerging technologies, while strengthening the defense industrial base;
- Create a package of investments, regulatory reforms, and tax incentives to reduce dependencies on adversarial nations in terms of critical minerals;
- Strengthen U.S. global development and strategic investments to better counter China’s Belt and Road Initiative;
- Pass the Neutralizing Emerging Threats from Wireless OEMs Receiving direction from Kleptocracies and Surveillance states (NETWORKS) Act and Foreign Adversary

Communications Transparency (FACT) Act to further crackdown on Chinese telecommunications providers and vendors.

Taken together these recommendations read like a wish list for the “China Hawks” on Capitol Hill. Though many proposals, such as those impacting Wall Street, face very long odds of ever being enacted, others such as the TikTok legislation, are finding legs at least in the House of Representatives.

The China Select Committee’s recommendations should be seen as a thorough and comprehensive menu of options from which policymakers from both parties, on both sides of Capitol Hill and inside the administration, can look to address the national and economic security threats emanating from China. Like the 2012 House Permanent Select Committee on Intelligence’s report on the national security threats from Huawei and ZTE², the China Select Committee product is a serious, bipartisan report that will be used and cited for years if not decades to come.

Key Technology Export Controls

To protect access to a critical economic and national security component, the United States imposed on October 7, 2022, major semiconductor export controls, including access to core technology, tooling, and personnel.³ The Biden Administration has also been working successfully with allied nations on similar measures, creating multilateral export controls.⁴

On Capitol Hill, the Fiscal Year 2023 National Defense Authorization Act prevents the U.S. government in five years from purchasing and using semiconductors made by SMIC, CXMT, and YMTC, all of which have known links to Chinese military and intelligence services.⁵

The European Union has also instituted export controls on semiconductor manufacturing equipment, or SME.⁶ The Netherlands’ ASML, for instance, is a key SME supplier that is critical to China’s domestic semiconductor industry.

Japan has also implemented significant recent moves on economic security that parallel U.S. policy, and it has adopted export controls on 23 materials used for SME. Tokyo has likewise

² House Permanent Select Committee on Intelligence, “Investigative Report on the U.S. National Security Issues Posed by Chinese Telecommunications Companies Huawei and ZTE.” October 8, 2012. [https://intelligence.house.gov/sites/intelligence.house.gov/files/documents/huawei-zte%20investigative%20report%20\(final\).pdf](https://intelligence.house.gov/sites/intelligence.house.gov/files/documents/huawei-zte%20investigative%20report%20(final).pdf)

³ U.S. Department of Commerce, Bureau of Industry and Security, “Public Information on Export Controls Imposed on Advanced Computing and Semiconductor Manufacturing Items to the People’s Republic of China in 2022 and 2023.” November 6, 2023. <https://www.bis.doc.gov/index.php/about-bis/newsroom/2082>

⁴ Forum for American Leadership, “Successful Semiconductor Industry Export Controls: The Importance of a Multilateral Effort.” August 10, 2023. <https://forumforamericanleadership.org/policy-product/successful-semiconductor-industry-export-controls-the-importance-of-a-multilateral-effort/>

⁵ Congress.gov, “H.R.7776 - James M. Inhofe National Defense Authorization Act for Fiscal Year 2023.” December 23, 2022. <https://www.congress.gov/bill/117th-congress/house-bill/7776/text>

⁶ The European Union, “EU enables coordinated export controls by compiling national lists.” October 26, 2023. https://policy.trade.ec.europa.eu/news/eu-enables-coordinated-export-controls-compiling-national-lists-2023-10-26_en

aligned itself with the U.S. semiconductor export control regime.⁷ Around the G7 meeting hosted by Prime Minister Fumio Kishida in Hiroshima last year, Japan and the United States also announced an international partnership of 11 U.S. and Japanese universities to collaborate on advanced semiconductor research and development.⁸ Prime Minister Kishida's state visit to Washington in April is a further positive sign of the importance of that alliance relationship, with Japan serving in many ways as a model of coordination on economic security goals.

As U.S. policymakers continue to monitor developments in the Chinese semiconductor industry with concern, they have pushed for greater export restrictions from allies like Japan and the Netherlands, to possibly include less-sophisticated semiconductor manufacturing equipment and resources.⁹ Working with allies on coordination of export controls will likely spur further Chinese counter efforts to prepare for and/or bypass restrictions, though there are ultimately questions about the commercial viability of semiconductor production. Still, a combination of CCP policy favoring Chinese producers; other CCP policies to reduce U.S. and foreign components in Chinese supply chains; and domestic public sentiment in favor of Chinese brands; all will affect Chinese demand for U.S. and allied technology. Care should thus be taken to balance implementation of export controls on necessary technologies, while preserving revenue streams for American technology exports outside of militarily sensitive areas. Such a balance is necessary to support the next round of private sector investments higher up the tech ladder.

In Seoul back in 2022, the U.S. and South Korea signed an agreement creating the United States-Korea Supply Chain and Commercial Dialogue. As part of that dialogue the two nations agreed to cooperate on advanced semiconductors, and to implement necessary export controls that protect national security without compromising key global supply chains.¹⁰

In response to semiconductor export controls, China initiated a dispute at the World Trade Organization, stating that the U.S. government was attempting to cut them off from key technologies critical to its future economic success.¹¹

Outbound Investment Policy

The Committee on Foreign Investment in the United States (CFIUS) does not review outbound capital flows from the United States to companies in adversarial countries like China, including in important emerging technology sectors such as semiconductors, artificial intelligence,

⁷ Tim Kelly and Miho Uranaka, "Japan restricts chipmaking equipment exports as it aligns with US China curbs." March 31, 2023. <https://www.reuters.com/technology/japan-restrict-chipmaking-equipment-exports-aligning-it-with-us-china-curbs-2023-03-31/>

⁸ Kevin Oklobzija, "Semiconductor advancement program unveiled at G7 includes RIT." May 22, 2023. <https://rbj.net/2023/05/22/semiconductor-advancement-program-unveiled-at-g7-includes-rit/>

⁹ Christian Davies, Qianer Liu, Kana Inagaki, et al., "Washington pushes allies to tighten China chipmaking restrictions." *The Financial Times*, March 7, 2024. <https://www.ft.com/content/a437c103-9544-4cfe-86f5-25c65f7f347c>

¹⁰ U.S. Department of Commerce, "United States - Korea Supply Chain and Commercial Dialogue Ministerial Joint Statement." May 21, 2022. <https://www.commerce.gov/news/press-releases/2023/04/united-states-korea-supply-chain-and-commercial-dialogue-ministerial>

¹¹ World Trade Organization, "China initiates WTO dispute complaint targeting US semiconductor chip measures." December 15, 2022. https://www.wto.org/english/news_e/news22_e/ds615rfc_15dec22_e.htm

quantum computing, and autonomous vehicles. U.S. companies spent \$11 billion buying or investing in Chinese companies in 2022 alone.¹²

President Biden's National Security Strategy specifically mentions the "screening of outbound investment to address threats to U.S. national security" from investments in certain advanced technology areas of the Chinese economy.¹³

To address this threat, President Biden issued an Executive Order on "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern."¹⁴ The Executive Order applies to three main industries: advanced computing chips and microelectronics, quantum technology, and artificial intelligence (AI). For military or surveillance technology, investment is outright banned, while for dual-use products, it is permitted with government notification. Promulgation of these regulations is underway and is expected to conclude later this year.

Look Ahead: Second Biden Presidential Term vs. a Second Trump Term

Political pundits expect a highly contentious and extremely expensive U.S. presidential election in 2024 between two relatively unpopular party leaders. Currently polling shows a swing state, and thus electoral college, advantage for former President Donald Trump. However, with an improving economy, the advantage of incumbency, and a polarizing opponent, President Joe Biden and his supporters also have reasons to be optimistic.

Should President Biden prevail in November, the likely result will be continuation of a steady relationship with China, a confrontational approach to Russia, and a consensus-driven, don't-rock-the-boat foreign policy more broadly. The Biden Administration is likely to continue to try to maintain high-level dialogue with PRC leadership as they did successfully during Biden's first term, though major concessions remain unlikely given the consistently high level of tension over a possible conflict over Taiwan.

As for President Trump, former United States Trade Representative (USTR) Robert Lighthizer will likely be a driving force in former President Trump's trade policy if he is elected again in November. Expect Mr. Trump to focus on trade in a second term as an issue upon which he can make progress without Congressional action.

First up on a likely Trump trade agenda could be completion of the Section 301 investigation begun by President Biden's U.S. Trade Representative Katherine Tai into illegal or unfair Chinese subsidies, and the economic harm to America's economy that result.

¹² Michael Geffroy and Andy Keiser, "National Security Institute Policy Brief: Restricting U.S. and Outbound Investment to Targeted Chinese Sectors." May 2023. <https://nationalecurity.gmu.edu/wp-content/uploads/2023/08/Outbound-Decision-Memo-FINAL-WEB.pdf>

¹³ The White House, "National Security Strategy." October 2022. <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>

¹⁴ The White House, "Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern." August 9, 2023. <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/08/09/executive-order-on-addressing-united-states-investments-in-certain-national-security-technologies-and-products-in-countries-of-concern/>

Expect President Trump to also maintain a dialogue with Chinese President Xi Jinping, as both sides recognize the U.S.-China relationship is the most important bilateral relationship in the world. Former President Trump likes the limelight and making deals, and he is unlikely to miss the chance to command the world's attention by engaging in high-stakes diplomacy.

Mr. Trump has said that if he wins the 2024 presidential election, he will raise tariffs across the board by 10%. If the White House could find a way to do this under current presidential authorities, such an action would most certainly fuel inflation,¹⁵ spur painful retaliation by countries that import U.S. goods, and set back progress made in the vital U.S.-EU relationship. If Mr. Trump is re-elected it is more likely that he will reactivate the Section 301 investigation of PRC subsidies¹⁶, with the goal of adding more items to the 2017 and 2018 list of Chinese products subject to higher tariffs. His trade policy will likely be determined more by transactional factors and trade imbalances than by ideological differences or even traditional security considerations.

Trade Lessons from IPEF and Future Trade Prospects

The Biden Administration has largely maintained the 2017-2018 Section 301 list of Chinese imports subject to additional tariffs. The U.S. Trade Representative continues to pursue its “innovative trade arrangements,” notably the Indo-Pacific Economic Framework (IPEF), which involves thirteen countries including Japan; the Americas Partnership for Economic Prosperity; and the U.S.-EU Trade and Technology Council. Unlike free trade agreements (FTAs), these initiatives lack tariff commitments and are designed to be executive agreements. Administration officials have explained that the current domestic environment is not conducive to traditional trade agreements. This is true both from the perspective of progressives, as well as Americans who support Mr. Trump's “America First” approach.

However, the view is mixed on Capitol Hill. There are members from both parties on key trade committees who want a more ambitious U.S. trade agenda that opens markets to U.S. exports (particularly agriculture), and helps exporters compete against the PRC globally. Notably, there is strong Congressional support for a U.S.-Taiwan Trade Agreement and restarting the U.S.-UK trade pact negotiations.¹⁷ Additionally, some Members of Congress have referenced the U.S.-Mexico-Canada (USMCA) revision of NAFTA as a potential model for trans-pacific trade arrangements, signaling some openness to the United States engaging in discussions to renegotiate entry into a CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) or some other similar model of trade engagement. Whether this would be possible -- either in some small form beginning with bilateral deals or those involving a small number of countries, or some larger multilateral arrangement -- will depend heavily on whether the

¹⁵ Erica York, “Trump's \$300 Billion Tax Hike Would Threaten U.S. Businesses and Consumers.” August 25, 2023. <https://taxfoundation.org/blog/donald-trump-10-percent-tariff/>

¹⁶ Matt Pottinger, “Pottinger on Trump 2.0.” February 14, 2024. https://www.chinatalk.media/p/pottinger-on-trump-20?utm_campaign=email-half-post&r=zji&utm_source=substack&utm_medium=email

¹⁷ Mark L. Bush, “Should US trade agreements follow tradition or use shiny, new tactics?” May 3, 2023. <https://thehill.com/opinion/international/4026427-should-us-trade-agreements-follow-tradition-or-use-shiny-new-tactics/>

president decides to make a case for such an arrangement being a vital part of the strategy to “out compete” China.

In November 2023, IPEF participants signed commitments related to supply chains for critical minerals, batteries, pharmaceuticals, and semiconductors. Negotiators also “substantially concluded” pillars on Clean Economy and Taxes/Transparency. IPEF’s Climate Pillar could produce some deliverables related to investment and private capital mobilization. Observers described these as “modest” achievements. Negotiators failed to reach agreement on Pillar IV (Trade). U.S. Senator Sherrod Brown (D-OH) announced¹⁸ in early 2024 that he had killed the trade pillar, supporting the theory that the domestic environment for trade deals remains challenging. U.S. and Asian diplomats have expressed fatigue over long negotiations and a shortage of substantive outcomes. Congress has lamented the lack of consultation. The consequences of a failure to deliver meaningful results, however, would be a missed opportunity to set standards and norms for Asia-Pacific trade. Furthermore, it would disappoint Asian trading partners who seek closer alignment with the United States and less dependency on PRC markets.

The European Union (EU) remains the United States’ largest trading partner. The U.S.-EU Trade and Technology Council is achieving slow but notable progress trying to establish joint standards in emerging technology and the green economy. The U.S.-EU trade climate has improved since negotiators resolved the dispute over Trump-era Section 232 tariffs on European steel and aluminum. Successful negotiations on a new Global Arrangement on Sustainable Steel and Aluminum would further strengthen transatlantic cooperation, address shared climate goals, and put pressure on the PRC’s industrial strategy.

“Friend-sourcing” has risen to new heights from a combination of Washington policies and Beijing’s increasing mistreatment of foreign companies. Trade between the United States and Mexico is booming, for instance, while U.S. imports from China fell by 20% in 2023. We can expect this trend to continue as manufacturers seek to manage risk in a period of high geopolitical turbulence and increasing crackdowns by Chinese Communist Party leaders on businesses in China, foreign and domestic.

Trade red lines could include the continued theft of intellectual property, or China’s complicit role in the fentanyl trade, which kills 100,000 Americans a year and leaves whole communities destroyed.

There is increased discussion in Congress about revoking the PRC’s “Permanent Normal Trade Relations” status based on its non-market economy and blatant violation of global trade rules. A future White House team of any party could adopt this issue, particularly as Beijing’s violations of international trade rules and sanctions regimes continue unabated.

Overview of U.S. Economic Security Policies in 2024

As President Biden highlighted during his recent State of the Union address, his Inflation Reduction Act of 2022 included significant incentives to spur the types of clean energy jobs and manufacturing critical for Geotech, including new battery manufacturing facilities key to electric

¹⁸ U.S. Senator Sherrod Brown, “Brown to Oppose Administration’s Deputy U.S. Trade Representative Nominee.” January 24, 2024. <https://www.brown.senate.gov/newsroom/press/release/brown-to-oppose-administrations-deputy-us-trade-representative-nominee>

vehicles and the energy transition. These generous incentives for development of wind, solar, energy storage, advanced energy manufacturing, and other renewable energy projects continue to flow in 2024.¹⁹

The SOTU also comes days after congressional appropriators unveiled funding bills that would decrease cash to tech and science research agencies and programs that are key to CHIPS implementation, including the National Institutes of Standards and Technology and National Science Foundation. Following Biden's speech, the Science Coalition, a nonprofit organization of more than 50 U.S. research universities, called on Congress to pass legislation supporting "long-term spending that prioritizes American research to bolster our competitive edge."

There has been some discussion on Capitol Hill and amongst leading think tanks on the need for a CHIPS Act 2.0, building off the 2022 CHIPS Act which included more than \$50 billion in government spending and incentives to promote semiconductor manufacturing in the United States.²⁰ It has been suggested that dollar figure, though significant, is a fraction of what is needed to make a material impact in the global semiconductor industry. Though final Congressional action is not anticipated during this election year, expect like-minded Members of Congress to pursue a broader China competitiveness package of legislation next year, as had been floated in 2023 by Senate Majority Leader Chuck Schumer, D-N.Y.

The Semiconductor Industry Association has called on the administration to "continue implementing CHIPS in an effective and expeditious manner." It also called on leaders in Washington "to enact policies that will grow the science, technology, engineering and math talent pipeline, promote U.S. technology leadership and maintain access to global markets."²¹ These moves would ideally be part of a larger innovation strategy that helps the United States lever its strengths in technology research, development and execution to market, taking into account the totality and cross-cutting effect of various policy actions.

Though the types of incentives outlined above may strike some as favoring a new type of industrial policy, they are aimed at securing America's supply chain to prevent reliance on untrustworthy nations such as China for key components. The COVID-19 pandemic and response illustrated for the world what it could look like if China or another adversary seeks to leverage its indispensable position in the global supply chain for geopolitical advantage. During COVID, China withheld shipments to the West of important medicine, hypodermic needles, and personal protective equipment. This has led foreign capitals globally to seek to reduce risk by diversifying their own supply chain for critical items away from untrustworthy countries like China and Russia.

On the regulatory side, the Biden Administration has taken an aggressive approach to promote key technologies such as electric vehicles. For example, citing the authority from the Clean Air

¹⁹ U.S. Department of Treasury, "FACT SHEET: How the Inflation Reduction Act's Tax Incentives Are Ensuring All Americans Benefit from the Growth of the Clean Energy Economy." October 20, 2023. <https://home.treasury.gov/news/press-releases/jy1830>

²⁰ Center for Strategic and International Studies, "Semiconductor Industry in the U.S. and Europe: Case for Chips Acts 2.0?" December 6, 2023. <https://www.csis.org/events/semiconductor-industry-us-and-europe-case-chips-acts-20>

²¹ Semiconductor Industry Association, "President Biden Highlights Importance of Strong U.S. Semiconductor Supply Chains During State of the Union Address." March 7, 2024. <https://www.semiconductors.org/president-biden-highlights-importance-of-strong-u-s-semiconductor-supply-chains-during-state-of-the-union-address/>

Act, the Environmental Protection Agency seeks to mandate production of vehicles to be two-thirds electric and one-third gasoline powered by 2032.²²

The Select Committee on the CCP determined that Beijing seeks to dominate global value chains and make the United States dependent on Chinese imports.²³ The primary trade challenge in 2024 is therefore delinking critical supply chains from the PRC while also enhancing the ability of U.S. companies to compete against PRC entities in third country markets. Policymakers in the United States and allied capitals will also need to be cognizant of how China continues to prioritize green industries—e.g. solar panels, wind turbines, electric transportation—and seeks to develop advantages in these fields through a combination of legitimate technological development, married with overcapacity that swamps markets also sought by U.S. and allied producers. Policies under Xi Jinping will likely further support state industries and manufacturing in these priority sectors, particularly as China feels economic pain in other sectors (finance, tech, real estate) now disfavored by the party. The President’s 2024 Trade Policy Agenda and Annual Report²⁴ places the administration’s “worker-centered approach to trade” front and center. The report also highlights the Biden Administration’s use of trade policy to achieve climate goals, and its successes in achieving country-specific market access for certain agricultural products. The report also telegraphs that the administration will continue to utilize both defensive and offensive trade policy tools to confront the PRC’s non-market practices that have hurt U.S. workers and distorted global trade.

Conclusion & Recommendations

Though 2024 is a presidential election year, policymakers in Washington realize the threats emanating from China have not abated and are not dependent on the U.S. political calendar. This presents an opportunity to build on the overwhelming bipartisan consensus on the nature of the China threat in order to find common solutions and expand cooperation with allies. Members of Congress and other policymakers would be smart to focus on building productive, consensus-based measures that promote military, economic, and diplomatic strength in our relationship with China, while avoiding actions that destabilize an already unstable world order currently dealing with challenging economic conditions and the ramifications of at least two major hot wars.

- **The Administration should build on its outbound investment EO:**
Identify a “No Go list” of countries that would trigger an automatic review of outbound investment in sensitive sectors. The National Security Council and the Department of State should initiate a multilateral outbound investment regime to align and unify outbound investment protocols from allied democratic nations to be applied to authoritarian states like China, Iran, North Korea, and Russia.

²² U.S. Environmental Protection Agency, “Biden-Harris Administration Proposes Strongest-Ever Pollution Standards for Cars and Trucks to Accelerate Transition to a Clean-Transportation Future.” April 12, 2023.

<https://www.epa.gov/newsreleases/biden-harris-administration-proposes-strongest-ever-pollution-standards-cars-and-trucks>

²³ Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, “Reset, Prevent, Build.” December 12, 2023. <https://selectcommitteeontheccp.house.gov/media/policy-recommendations/reset-prevent-build-strategy-win-americas-economic-competition-chinese>

²⁴ Office of the U.S. Trade Representative, “2024 Trade Policy Agenda and 2023 Annual Report.” March 1, 2024. <https://ustr.gov/sites/default/files/The%20Presidents%202024%20Trade%20Policy%20Agenda%20and%202023%20Annual%20Report.pdf>

- **The United States and democratic allies must avoid backtracking on the key semiconductor export controls relevant to vital national security categories, such as high end AI chips:** Broad waivers should not be issued and time-specific waivers already in place, including the one that allows South Korean chipmakers to manufacture in China, should not be extended.
- **Support the U.S. innovation ecosystem in ways that build on U.S. strengths:** This includes accounting for loss of revenue for American innovators due to export controls, supporting the full range of educational system support, and deeper investments in domestic production of critical technologies.
- **The G7 should lead a more aggressive effort to push back on the CCP’s economic coercion:** The G7, led by key personnel at the U.S. National Security Council, should rapidly advance and operationalize the Coordination Platform on Economic Coercion to collectively respond to the PRC’s economic coercion and overcapacity. This would ideally accompany developing a mechanism to protect smaller economies from coercion, perhaps as part of a larger trade or economic relations package.
- **Memory chips should be thought of as a national security commodity:** Given advancements in memory chips and the reliance upon them by the U.S. military and intelligence services, memory should be thought of not simply as a global commodity. The Department of Defense’s Trusted Foundry program should be extended to include memory chips. Congress should include language to provide a framework for preference for U.S. and allied-made semiconductors through the Federal Acquisition Security Council in the federal procurement process.
- **Accelerate a multilateral effort with the EU, Japan, Korea, and other major allies to confront PRC’s trade-distorting and illegal industrial subsidies:** The EU has already announced investigations into Chinese EVs and trains, and the United States could restart its Section 301 investigation on PRC subsidies. Achieving transatlantic agreement on the emissions-based Carbon Border Adjustment Mechanism could be a cornerstone of such an effort.
- **Pursue binding sectoral trade agreements with other trusted trading partners:** Focus on critical minerals, semiconductors, telecommunications, the digital economy, clean tech, and pharmaceuticals. Congressional buy-in including a possible redrafting of Trade Promotion Authority would enhance the durability of such agreements.
- **Create a pathway for qualified countries in the Western Hemisphere to join the USMCA on a probationary period:** The “Americas Act”²⁵ introduced by Senator Bill Cassidy, R-LA., endorses this idea.
- **Prevent PRC companies from circumventing rules of origin provisions in existing U.S. FTAs, particularly the U.S. Mexico Canada Agreement (USMCA).**
- **Monitor the implementation of the European Carbon Border Adjustment Measure, while considering proposals for a U.S. model under discussion in the Senate.**
- **Congress should reauthorize the Generalized System of Preferences (GSP):** The GSP is a trade preference program that benefits the least developed countries and provides them with alternatives to PRC-dominated trade channels.
- **Restart Key U.S. trade negotiations:** Restart the U.S.-U.K. free trade agreement, begin “phase two” of U.S.-Japan trade negotiations, and launch trade agreement

²⁵ U.S. Senator Bill Cassidy, “What They Are Saying: The America’s Act Gains Momentum.” July 18, 2023. <https://www.cassidy.senate.gov/newsroom/press-releases/what-they-are-saying-americas-act-gains-momentum/>

negotiations with important Arctic NATO partners Iceland and Greenland. With a modern set of achievable objectives, these prospects offer high strategic benefits with low economic risks. Furthermore, these endeavors could provide important signals as to whether the political climate for free-trade deals has improved post-election, and provide a foundation for more ambitious regional trade discussions that support strategic goals.

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President & CEO, Center for the Study of the Presidency & Congress