

## **Chairman Moolenaar Remarks**

*Information Technology and Innovation Foundation Event – “Can China Innovate in Advanced Industries”*

*9.18.2024*

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I want to thank Robert and his team for the effort that went into their report, and for the invitation to speak today.

For the past two years I have served on the Select Committee on Strategic Competition with the Chinese Communist Party, and since April I have had the honor of leading the Select Committee as Chairman.

For decades, many Americans believed that unbridled economic engagement with the Chinese Communist Party would lead to democracy in China and prosperity at home.

That has not come to pass.

From the militarization of the South China Sea, to unabashed economic coercion and market manipulation, to flooding our communities with fentanyl, the Chinese Communist Party has shown its true colors.

The CCP has taken the technological tools we have given them to forge new surveillance chains to hold the Chinese people in bondage. They have tried to extend those chains around the world, including to America itself.

Lenin once observed, “Capitalists will sell us the very rope that we will use to hang them.”

The CCP has taken Lenin’s view to heart.

Like good Marxists, they see economics as an extension of politics, one in which they win by eliminating the competition. Joint-ventures and investment are tools for Chinese firms to eliminate, not cooperate with American firms.

I want to illustrate the stakes before us by telling the story of two companies. Both produce electric batteries. Both built factories in my home state of Michigan.

The first was named A123 and it no longer exists. It had a unique technology, one with the potential to revolutionize the global electric battery industry.

And it did.

But not in the hands of A123. That battery technology, once owned by A123 and developed by Americans at the University of Texas and MIT, now belongs to a Chinese firm named CATL. With it, CATL controls 37% of the global market for electric batteries.

You see, in 2009, A123 Systems made a mistake.

It was a mistake hundreds of companies have made over the past five decades.

The company set up a joint venture with Shanghai Automotive Industry Corporation, a state-owned auto producer in China. The company had access to cheap labor, knew the Chinese domestic market, and was directly supported by CCP officials who could handle any regulatory hurdles that A123 might face.

The problem was, SAIC was really after A123's technology. Once it had access to that, the Chinese company then flooded the market with state-subsidized batteries that used A123's own technology.

Unable to compete, A123 found itself facing bankruptcy and was acquired by SAIC's holding company, despite CFIUS concerns.

SAIC closed A123's US operations, laid off the workforce, and relocated operations to China, where Chinese firm, CATL, now seeks to dominate the world's supply chains with this very technology.

Now, CATL is returning to the scene of the crime, building a new factory in Michigan, subsidized by American tax dollars, and using American technology to deepen our dependence on supply chains controlled by Beijing.

These tactics are unethical, wrong, and dangerous. Worst of all though, as today's report notes, these tactics are *successful*.

Let me read out a few numbers from today's report.

In 2023, China installed more industrial robots and had more nuclear power plants under construction than the rest of the world combined.

China also accounted for 62 percent of global EV production.

A majority of the world's new chip-making capacity in 2024 will be constructed in China.

And from 2017 to 2021, the rate of new clinical drug trials in China grew faster than any other nation.

These statistics should raise alarm bells in capitals around the world.

The CCP's track record shows that any dependencies or open doors can and will be weaponized by the Party at a time and place of its choosing.

This is not speculation: this is a playbook we have seen run too many times to count.

That playbook reflects the difference in values between ourselves and the CCP.

For Americans, economic growth and innovation are pathways to improve the well-being of all parties.

For the CCP, economic growth and innovation are about increasing the power of the party, both at home and abroad. Chinese entrepreneurs are supported, their companies subsidized, and their foreign competitors targeted for IP theft and economic warfare..

Entrepreneurs such as Jack Ma and foreign firms may have roles as temporary tools, but at the end of the day, they have no place in the house Xi Jinping is building. The CCP only wins if they - and we - lose.

Our competition, like that with the Soviet Union, is not between two countries, but two visions of the future. The only way our way of life survives is *if we win and they lose*.

Our committee has been shouting this warning from the rooftops. The Select Committee has traveled to Boston, New York, and Silicon Valley with a simple message.

*We cannot continue to fund our own destruction.*

*We cannot provide our greatest adversary with the tools needed to kill our men and women in uniform.*

*We cannot continue supplying the technology that will be used to drive our companies out of business and leave our citizens out on the street.*

In 2023 alone, Wall Street channeled \$5.7 billion of American investment to 61 PRC companies that the U.S. government has blacklisted because they advance the PRC's military capabilities or support its human rights abuses.

The companies receiving these funds develop advanced fighter jets and nuclear weapons for the People's Liberation Army and create the technology used to perpetrate the ongoing genocide against the Uyghur people.

I am proud of the work our committee has done highlighting these troubling investments, as well as those in cutting-edge technologies such as artificial intelligence. We've made a real difference in the way the financial community talks about China and perceives the risk in investing there.

The Biosecure Act, which passed the House last week, directly challenges the dependence of much of America's biopharmaceutical community on companies like Wuxi Aptec, WuXi Biologics and BGI. It will ensure that over the next eight years, we liberate our medical supply chains from CCP control without disrupting the existing market.

These pieces of legislation are, I hope, just the start.

Last December, our committee produced a list of 150 bipartisan recommendations to rebalance our country's economic relationship with the PRC. If you know anything about Washington, you will know how rare that sort of bipartisanship is.

Outbound capital and export controls are critical to our defensive strategy, and buying the time needed to rebuild our industrial base at home. De Minimis reform will allow US manufacturers to compete on an even playing field.

By holding PRC firms accountable for the use of slave labor, we take a stand in defense of our values, and eliminate an unfair and immoral advantage.

By protecting our companies and universities from IP theft, we defend American ingenuity and the inherent advantages of a free system that encourages creativity and innovation over a totalitarian ideology that rewards blind obedience.

But like my Detroit Lions, we must play both offense and defense.

Research security and IP defense matter little if we are not researching new technologies or developing IPs to defend.

For centuries, America has been the promised land for the best and brightest across the world, who wanted to explore the frontiers of human knowledge or create companies without red tape .

We must continue to be that promised land, and that means ensuring entrepreneurs are free to innovate, universities are free from foreign influence, and students are free to speak their mind.

Export and outbound capital restrictions are a necessary condition for our victory over the CCP, and by combining these types of tools with investment in our own innovation, we can achieve victory.

Thank you for the opportunity to speak this morning.