

Chairman Moolenaar Opening Remarks

AEI Event – Do Chinese Companies Pose a Risk to Our National Security?

9.25.24

Thank you for having us Marc, thank you to AEI, and thank you to my good friend Raja Krishnamoorthi for being a great teammate in this fight. It has been an honor to lead this committee alongside you.

For almost two years now, the Select Committee has taken bipartisan action to safeguard our national security against threats from companies spanning several different industries that are closely linked to the Chinese Communist Party.

From TikTok controlling the news Americans consume and storing their personal data, to biotech company BGI stealing Americans' genetic data, to the surveillance risk posed by drone company DJI – this Committee and many in the U.S. government are finally recognizing that Chinese companies operating in the U.S. pose a tremendous risk to our national security.

Yet even with broader growing awareness of the threat, when the Select Committee has raised concerns over malign PRC companies, all too often, the first thing we hear is: “where is the smoking gun?” Allies, policymakers, and the public understandably want to see evidence of malign behavior before acting.

Looking for a “smoking gun” though is the wrong way to think about China-related risk. After all, a smoking gun means a shot has already been fired. Demanding to see smoking guns before taking action puts policymakers into a reactive posture. When our country’s leaders have failed to connect the dots and take action, there have been catastrophic consequences including Pearl Harbor and 9/11.

Even when we have lucked into less dire consequences, as was the case with both Huawei and semiconductors, being late to the game is expensive, with emergency legislative solutions such as so-called “Rip and Replace” costing billions in taxpayer dollars.

This is strategically unwise and financially ruinous.

Consequently, I would like to spend some time outlining why we need to be looking not for “smoking guns” but instead “loaded guns” – Chinese companies that because of the technology they provide or the supply chains they impact, pose an unacceptable risk to our country’s security. Even Chinese companies that claim to be private, may be called upon by the Party to advance its interests at the expense of ours at any time, for any reason through the CCP’s national security law.

Since its formation, our Committee has been working overtime to identify and disarm these loaded guns, but the more we dig, the more we uncover.

There is no more prominent example of a loaded gun than the Chinese national champion, digital communications conglomerate, Huawei.

It was Huawei's scale and scope that first caused the House Intelligence Committee to raise the red flag as far back as 2012.

In retrospect, over a decade later, the threat posed by Huawei should have been obvious. However, the government was slow to respond, national security suffered, and taxpayers paid the price. To counter threats posed by Huawei and similar PRC telecommunications companies, Congress passed the Secure and Trusted Communications Networks Act in 2020, which among other things, created a "rip and replace" program to remove Huawei and other Chinese gear from our nation's networks. Four and a half years later, rip and replace efforts are still ongoing and the taxpayer bill is close to \$5 billion and counting.

Even worse, we have failed to learn from the Huawei example. Our national security and our fiscal health demand we disarm these loaded guns before it is too late.

Too many Chinese companies are deeply embedded in some of our most critical industries and supply chains. Given the signal from the CCP, in situations ranging from a diplomatic slight to a Taiwan invasion, these companies could use their supply chain leverage against us to devastating effect.

Take, for example, **the BGI Group**, formally known as Beijing Genomics Institute. Today, BGI operates over a hundred laboratories across the world and collects copious amounts of patient data, including genetic data. BGI operates the world's largest gene bank and, through its subsidiary MGI, it is rapidly becoming a global provider of genetic sequencers. Much like Huawei, BGI is a national champion that has used stolen intellectual property and market subsidization to rapidly become a global biotech powerhouse that threatens our supply chains and national security. BGI is a loaded gun.

In the world of semiconductors, we have **Semiconductor Manufacturing International Corporation** or SMIC, which is currently one of the world's largest producers of legacy semiconductors with ambitions of becoming a world leader in cutting-edge semiconductor production by the end of the decade. As you all know, semiconductors are the lifeblood of our modern economy, from our computers to our cars, so the idea that we should allow a company like SMIC to grow and further infiltrate our market would be economic suicide. SMIC is a loaded gun.

Another Chinese firm, **ZPMC**, is the world's largest producer of ship-to-shore cranes, operating in ports across the globe. ZPMC has collaborated with the Chinese army and worked with entities sanctioned by the U.S. government. Yet unbelievably, ZPMC accounts for nearly 80% of ship-to-shore cranes in operation at U.S. ports. In a joint investigation with the House Homeland Security Committee, we uncovered unauthorized cellular modems installed on its cranes bound for U.S. ports, creating a significant backdoor security vulnerability. ZPMC could disrupt U.S. maritime equipment and technology at the request of the Chinese government, including during a conflict over Taiwan. ZPMC is a loaded gun.

Going forward, we need to be asking whether a given company, through its technology or supply chain reach, could provide the CCP with the ability to threaten our national or economic security interests.

If the answer is yes, we need to act with the presumption that the company in question *will* one day be used by the CCP to threaten our national security, and then we need to take appropriate steps to proactively stop the threat. The Chinese government, through its actions, has foreclosed the opportunity for Chinese companies to receive the benefit of a doubt.

So how do we get ahead of the problem? I would suggest at least three key steps:

First, for the sake of our national security, we need to implement appropriate barriers to our market, particularly in strategic sectors, to prevent malign PRC companies from undermining U.S. technology and undercutting American businesses. We must also leverage and build upon crucial existing authorities to ensure PRC tech products, from LiDAR to genetic sequencers, do not gain access to our sensitive data or critical infrastructure. This includes expanding CFIUS jurisdiction to include foreign companies entering critical U.S. industries. Following the same logic it currently uses to assess national security risk when it comes to transactions, CFIUS should be assessing whether allowing a Chinese entity to enter a sensitive sector of the U.S. economy could pose a risk to our national security.

Second, we need to cut off access to U.S. technology and capital that fuels PRC national champions and critical sectors. By enacting outbound investment restrictions and stronger export controls, we can stop fueling our own demise. We cannot outrun the CCP if we are providing a wind at its back.

Finally, while we will lead, we must also coordinate with our allies and encourage them to mirror these steps and secure their own supply chains, technology, and domestic markets. We will need relentless diplomacy and constant reinforcement to bring our allies aboard.

Now, I understand this task will be difficult. However, the real choice before us is not between business as usual and taking hard steps. The true choice is whether we dictate the terms of de-risking our economic relationship with China – and guard against these loaded guns now, on our own terms – or wait until the CCP forces our hand.

It could be an invasion of Taiwan, it could be a retaliatory economic measure, it could be because Xi Jinping woke up on the wrong side of the bed. Given the CCP's track record, sooner or later, this bill will come due.

I have no doubt we will rise to the moment--but there is not a second to lose. It is time to get to work.

Thank you, and now I'd like to turn it over to the Ranking Member.