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P R E S E N T S

Biden May Be Ready for Big Step in Race Against Chinese Technology

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President Joe Biden's race against China in the technology space is picking up pace amid speculation a key independent federal agency is planning on banning U.S. sales of new devices from two Chinese companies.

The potential action matches Biden's talk about the challenges China's own technology prowess poses to the U.S. economy and the country's national security amid Russia's war on Ukraine.

Reports the Federal Communications Commission is preparing to prohibit U.S. purchases of new Huawei and ZTE devices because of a perceived national security threat due to their Chinese Communist Party ties is "pretty extraordinary," according to Cato Institute research fellow Clark Packard.

Combined with Biden's Commerce Department making a long-awaited announcement last week that it will restrict the sale of U.S. microchip technology to China without a special license, Packard, an R Street Institute alumnus, said the administration's response to China appears to have "gone into hyperdrive."

"This is a big shot across the bow at China, where rhetoric has translated now into concrete, pretty direct and firm action," he told the *Washington Examiner*, though he advised against "a new Cold War with China."

For Packard, America's previous position could best be defined by "we're just going to run faster than China," contending it worked for a while because "our technology is better" and China's economy is not infallible.

"Essentially, the policy is now shifting," he said. "Yes, we need to run faster, but we also need to hobble China's technology progress."

Emily Kilcrease, the director of the Center for a New American Security's Energy, Economics, and Security program, described the FCC's Huawei apprehension, in particular,

as "long-standing." In the past, the agency has stopped federal funds from being used to buy Huawei products.

But Kilcrease, a former deputy assistant U.S. trade representative, downplayed the quick succession of "tough on China" developments as a coincidence.

"Having said that, on substance, clearly similar assessments of risk and concerns with China's integration into technology supply chains and IT supply chains are driving both actions," she said. "We're very concerned about China increasing its technological capabilities in advanced [artificial intelligence] and advanced chipmaking. That's why we have the export controls. We're also concerned about their ability to be a dominant player in the 5G and telecommunications equipment market, and so that's driving the FCC action."

The FCC's Huawei and ZTE "blanket ban" has been anticipated, in part because of a Secure Equipment Act deadline, according to Brookings AI and Emerging Technology Initiative research director Chris Meserole.

For Meserole, the Huawei, ZTE, and chip prohibitions build on ones Biden has imposed for products made in Xinjiang, the autonomous region where China is allegedly infringing the majority-Muslim Uyghur population's human rights . Biden has also added companies to the Commerce Department's "Entity List," which is basically a blacklist for U.S. firms, but Meserole called the latest measures "by far the most consequential."

"The shoe left to drop is most likely outbound investment screening, which would place new restrictions on the kinds of Chinese companies American firms could invest in," he said.

The Committee on Foreign Investment in the United States is an interagency panel that conducts national security screenings of possible investments in U.S. companies and operations. Outbound investment disclosure and clearance proposals are also being considered. Those pitches could affect venture capital and equity investment in startups and other pre-initial public offering entities.

But for Kilcrease, a onetime White House National Security Council aide, it is important to note what actions Biden is not taking, namely "any sort of direct economic engagement or discussions with China."

"You have these major economies who are simply not talking at all about how to manage the bilateral economic relationship, which is arguably the most economically significant bilateral economic relationship on the planet," she said. "We are not trying to shape China's behavior or change its behavior through direct dialogue at this point."

The FCC and Commerce Department updates come amid a broader examination of U.S.-China dynamics. That reevaluation is underscored by the publication of Biden's national security strategy this week and the Office of the Trade Representative starting the Section 301 tariff review process last month. Those tariffs, first introduced by ex-President Donald

Trump , focus more on unfair practice complaints, including forced technology transfers and intellectual property theft.

Biden's actions with respect to China coincide with an escalation in the Russia - Ukraine conflict. Ukrainian President Volodymyr Zelensky and the Group of Seven's leaders warned Belarusian President Aleksandr Lukashenko this week against forming a joint military group with Russia, according to American Enterprise Institute senior fellow Dalibor Rohac.