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OPINION | REVIEW & OUTLOOK

The Be More Like China Act

The House competition bill is industrial policy mixed with welfare.

By [The Editorial Board](#) [Follow](#)

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The U.S. Capitol in Washington, D.C.

PHOTO: AL DRAGO/BLOOMBERG NEWS

If imitation is the sincerest form of flattery, Chinese President Xi Jinping should feel honored by the 2,900-page bill House Democrats claim will make the U.S. more competitive. To counter China, Democrats think America must copy Beijing's industrial policy.

Last summer the Senate passed a \$250 billion bill with \$54 billion in handouts for the U.S. semiconductor industry and much more for government science bureaucracies. Now with Build Back Better stalled, House Democrats are rushing through their own version that leaves no liberal special interest behind.

Democrats say the \$52 billion for chip makers will ease supply-chain problems. Sorry, but building a foundry takes years. Chip makers expect shortages for years

no matter how much governments subsidize them. The White House laments that the U.S. manufactures only 12% of the world's chips, down from 37% in 1990. But most chips are commodities, so manufacturing has naturally shifted to lower-cost Asia. The U.S. still leads in chip design (52%) and chip-making equipment (50%). China is years behind the U.S. in both.

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Some rightly worry that China could invade Taiwan and seize its foundries, which have a near monopoly on advanced chips, including for U.S. military weapons. But the Pentagon is already providing incentives to make advanced chips in the U.S., and Taiwan's TSMC is building a \$12 billion plant in Arizona.

The \$52 billion in handouts will trigger a global race to the subsidy bottom —ironic given the White House's

complaints about international tax competition. The European Union's internal markets commissioner, Thierry Breton, said last week that it's planning a "commensurate" subsidy package.

Then cometh lobbying by politicians and businesses. Senate Majority Leader Chuck Schumer is pressing the House to pass the bill so chip makers can get subsidies to build in upstate New York. The Commerce Department would get \$45 billion to make and procure "critical goods," which isn't defined but no doubt will include lithium ion batteries and other green technologies. Every trade association will want its products designated "critical."

When government allocates capital, it creates economic inefficiencies and market distortions. See how Beijing directed investment toward real estate to boost GDP. Now it's trying to keep its tumbling property market from collapsing the economy, even as it subsidizes inefficient state-owned companies as well as new technology.

As much as cheap capital, businesses need regulatory certainty and skilled workers. Yet the Biden Administration is mounting a regulatory assault on

business, while progressives dumb down math and science with a woke curriculum. In 2019 only 22% of 12th graders rate proficient in science. The House bill would exempt foreign recipients of doctoral STEM degrees from the visa cap, creates new visas for entrepreneurs and provides “temporary protected status” for Hong Kong residents. That about ends the list of useful provisions.

Congress could counter China by granting trade promotion authority to negotiate new trade deals. Donald Trump’s biggest strategic blunder vis-a-vis China was pulling out of the Trans-Pacific Partnership, but new trade authority isn’t in the bill.

It does include a huge expansion of trade adjustment assistance (TAA). Workers putatively harmed by trade receive government assistance while they are “retrained,” often by unions. TAA recipients would get higher benefits plus a \$2,000 per-child allowance. And TAA would be expanded to public employees. Are government jobs outsourced? Older workers who belonged to a union would get an 80% tax credit for health-insurance premiums. This is Build Back Better for unions.

The bill would also create a diplomatic climate corp within the Foreign Service to promote the left’s green agenda, plus give \$8 billion to the United Nation’s Green Climate Fund. There’s plenty more green pork, including \$3 billion for domestic solar manufacturing and grants for promoting “well-managed but less known” seafood species.

Plaintiff attorneys also get a special perk: Platforms like Amazon and eBay could be held liable for selling counterfeit products, many of which come from China. The House bill is even longer than Build Back Better, so these are merely some of the lowlights.

House Democrats hope to pass the bill this week, and then go to conference with the Senate. That’s where Republicans will have more leverage if they also aren’t beguiled by Chinese industrial policy and more green subsidies.

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