

Chairman Moolenaar Opening Remarks Semiconductors, Ships, and Drones

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As Prepared for Delivery

During the Second World War, America was called the Arsenal of Democracy. While our brave soldiers fought on the front lines, millions of men and women labored on the assembly lines to bury the Axis under a storm of steel.

Today, the Chinese Communist Party aspires to become an Arsenal of Autocracy, repressing a billion people at home, and providing authoritarian regimes with the means to wage aggression abroad.

To do so, the CCP seeks to control the key technologies and sectors that will determine future conflicts. We are looking in detail at three of these today: *chips, ships, and drones*.

Chips, or semiconductors, power everything from the guidance system on missiles to satellites, mobile phones, computers, and cars.

Ships transport cargo around the world and form the navies that can blockade global supply lines or enable invasions. This includes the risk to Taiwan, which would cut off the foundries that produce virtually the entire world's supply of advanced semiconductors.

Unmanned Aerial Vehicles (UAVs) or drones will play a key role in the future of civilian and military airpower.

In all three, America's industrial capacity has waned while China has gained dominance or is in the process of gaining dominance over each.

China added more legacy semiconductor manufacturing capacity in 2024 than the rest of the world combined, and that capacity is expected to grow by a further 13 percent this year alone. With 18 new fabricators set to begin operations, and the CCP announcing a further \$47.5 billion in subsidies in May.

Today, the U.S. accounts for one-tenth of one percent of global shipbuilding, while Chinese shipyards, with nearly 20% of their operating costs subsidized by Beijing, account for 54%.

DJI, a Chinese firm, controls roughly 80 percent of the U.S. commercial drone market. To be clear, our concerns with DJI, and PRC control of the drone ecosystem, are not about the competitiveness of American companies.

Rather, Congressional concern stems from the PRC having hundreds of thousands of spy balloon equivalents operating daily across our nation--not only jeopardizing our homeland but giving the PRC a dominant position in an industry that is already playing a key role on the frontline of modern warfare.

Across each of these sectors, the CCP playbook is simple, straightforward, and consistent.

Using a combination of illegal subsidies, hardball tactics, IP theft, and forced labor, the party gains a stranglehold over the world's most important supply chains.

From Huawei, to SMIC, YMTC, DJI, and beyond, it's the same play every time. In fact, we call it "the Huawei Playbook."

Pick a national champion in a strategic industry.

Subsidize.

Employ predatory pricing to offer its products at a massive, anti-competitive price point.

Expand globally.

Drive out the competition.

Then leverage newfound dependencies to advance CCP interests.

Like a football team running the triple option, it's an effective play, and it can be hard to defend. But once you see the pattern, you can understand how to defeat it.

We need to install market access barriers in strategic sectors to prevent malign PRC companies from taking over our domestic economy. We need to leverage and build upon crucial authorities to ensure the security of data and communications across our country. We need to cut off access to the U.S. technology and capital that helps fuel PRC national champions and critical sectors. And we need to coordinate with our allies to encourage them to mirror these steps.

Fortunately, there are those of us who have been watching the tape of similar games that threatened similar outcomes. Semiconductors were an American invention. The Soviets copied us. Others underpriced us. There were times when observers counted America out. But as Chris Miller, who is here with us today, documented in his exceptional book *Chip War*, no one has ever been rewarded for betting against America.

We are joined today by Adam Bry, the founder and CEO of Skydio, an American drone manufacturer. American-made technology is safer, higher quality, and does not come with links to a totalitarian regime. I look forward to hearing Adam's perspective on competing with the CCP's economic warfare.

We are also joined by Scott Paul from the Alliance for American Manufacturing. Scott has seen the CCP decimate the American manufacturing sector. And nowhere is this more costly for our nation than in our shipyards. The CCP is producing ships at a rate we couldn't dream of here.

Though they're made using cheap steel and shoddy market practices, the People's Liberation Army Navy represents a grave threat to the US and our allies.

Our national task is clear. We need to revitalize our domestic industries, and those of our allies so we can become an arsenal of democracy once again.

We must ensure a reliable domestic supply of semiconductors outside the reach of the CCP, rebuild our shipbuilding, and clear our skies of Chinese-made drones.

With that, I turn the floor over to the ranking member.