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5 ECONOMIC DANGER ZONE:

6 HOW AMERICA COMPETES TO WIN THE FUTURE VERSUS CHINA

7 WEDNESDAY, FEBRUARY 1, 2023

8 House of Representatives,

9 Subcommittee on Innovation, Data, and Commerce,

10 Committee on Energy and Commerce,

11 Washington, D.C.

12

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15 The subcommittee met, pursuant to call, at 10:32 a.m.

16 in 2322 of the Rayburn House Office Building, Hon. Gus

17 Bilirakis [chairman of the subcommittee], presiding.

18 Present: Representatives Bilirakis, Walberg, Bucshon,

19 Duncan, Dunn, Lesko, Armstrong, Allen, Harshbarger, Cammack,

20 Rodgers (ex officio); Schakowsky, Castor, Dingell, Kelly,

21 Blunt Rochester, Soto, Trahan, Clarke, and Pallone (ex

22 officio).

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24           Staff Present: Michael Cameron, Professional Staff  
25 Member, CPC; Jack Heretik, Press Secretary; Jessica Herron,  
26 Clerk, CPAC; Peter Kielty, General Counsel; Emily King,  
27 Member Services Director; Tim Kurth, Chief Counsel, CPAC;  
28 Brannon Rains, Professional Staff Member, CPAC; Lacey Strahm,  
29 Fellow, CPAC; Teddy Tanzer, Senior Counsel, CPAC; Hannah  
30 Anton, Minority Staff Assistant; Ian Barlow, Minority FTC  
31 Detaille; Waverly Gordon, Minority Deputy Staff Director and  
32 General Counsel; Daniel Greene, Minority Professional Staff  
33 Member; Tiffany Guarascio, Minority Staff Director; Lisa  
34 Hone, Minority Chief Counsel, Innovation, Data, and Commerce;  
35 Joe Orlando, Minority Senior Policy Analyst; and C.J. Young,  
36 Minority Deputy Communications Director.

37

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38           \*Mr. Bilirakis. The Subcommittee on Innovation, Data,  
39 and Commerce will come to order.

40           The chair recognizes himself for five minutes for an  
41 opening statement.

42           Good morning, everyone. It is great to be here.  
43 Welcome to the first hearing for the Innovation, Data, and  
44 Commerce Subcommittee for the 118th Congress. I would like  
45 to thank the chair of the full committee for selecting me to  
46 chair this important panel, and I would also like to  
47 congratulate, again, Cathy McMorris Rodgers for being the  
48 first woman to serve as the chair of the powerful Committee  
49 on Energy and Commerce, the best committee in Congress. It  
50 really is. There is no question.

51           Okay. I also want to identify our new members, our new  
52 Republican members of the subcommittee: Mr. Allen From the  
53 State of Georgia; Mr. Fulcher from Idaho; Ms. Harshbarger  
54 from the State of Tennessee; and then, of course, Mr. Duncan.

55           And I am glad to see you are back on the subcommittee  
56 from the great state of South Carolina.

57           And then we also have, of course, the great friend of  
58 mine, Kat Cammack, from the great state of Florida, and she  
59 represents Gator Nation.

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60           Finally, I want to thank my esteemed colleague, Tim  
61 Walberg from the great state of Michigan, for serving as vice  
62 chair of the committee. I am greatly looking forward to  
63 working with Mr. Walberg, and I appreciate his partnership.  
64 We are going to do great things in this committee.

65           So Ranking Member Schakowsky, who did an outstanding job  
66 as the chair in the previous Congress, I am glad to see you  
67 are leading the subcommittee again.

68           And for our friends across the aisle, we worked very  
69 hard together last Congress moving forward very good success,  
70 great initiatives that went to the President's desk. This  
71 included legislative wins like the INFORM Consumers Act,  
72 which will protect consumers from stolen and counterfeit  
73 goods online, including those coming from China, and my bill,  
74 the Ransomware Act, which requires the FTC to submit  
75 recommendations on how to make America more resilient from  
76 ransomware and cyber attacks, specifically from cross-border  
77 foreign threats like China and Russia.

78           Switching gears, today's hearing focuses on the great  
79 threat to our country right now: China. So it is fitting  
80 that to begin the 118th Congress we focus on this threat and  
81 discuss how to recapture and maintain our global leadership.

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82           The CCP will stop at nothing to undermine our global  
83 leadership and weaken our economy. They bought up our  
84 farmlands, stolen our intellectual property, and embedded  
85 themselves deep within many of our supply chains. Now they  
86 are turning their attention towards establishing the global  
87 standards for emerging technologies. We are not going to let  
88 it happen.

89           The CCP has invested heavily in artificial intelligence  
90 and other emerging technologies. Paired with this  
91 investment, China is creating favorable environments for  
92 their private sector companies and entrepreneurs to deploy  
93 and test these technologies. This has forced many American  
94 companies with global footprint and American innovators with  
95 cutting-edge ideas to consider a hard decision: whether to  
96 move their operations from American to Chinese shores.

97           It is also allowing Chinese companies to invest and  
98 expand further, potentially endangering our own  
99 infrastructure and data security. Waiting any further on a  
100 national framework is weakening our stance by the day, and  
101 time is of the essence. I can't emphasize that enough: time  
102 is of the essence.

103           It is imperative that this committee establishes

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104 foundational frameworks for developing emerging technologies.  
105 We came close last Congress when we passed the bipartisan,  
106 bicameral American Data Privacy and Protection Act. But this  
107 Congress we need to ensure it gets across the finish line,  
108 because China is not waiting on us to influence international  
109 norms and standards.

110 And I want to commend the previous chairman, Mr.  
111 Pallone, and the previous ranking member, Mrs. Rodgers, for  
112 getting it through committee, which was really incredible,  
113 historic. Now we have got to get it across the finish line  
114 as soon as possible.

115 I look forward to working again with Chair Rodgers,  
116 Ranking Members Schakowsky and Pallone, and the members of  
117 this committee to finish what we started. We need to get  
118 this done, and it is a priority. It is a priority for the  
119 American people. We must ensure our nation remains a leader  
120 in global technology standards.

121 The American people are the most innovative in the  
122 world. I know you know this. It is our job in Congress to  
123 ensure that we eliminate bureaucratic red tape that has too  
124 often hampered innovation in the marketplace. For something  
125 like autonomous vehicles that will help senior citizens and

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126 Americans living with disabilities, it means reducing  
127 barriers to testing and setting the standards for how they  
128 will be adopted across the world and provide certainty for  
129 businesses and consumers.

130       America's global leadership depends on its people to be  
131 the best in class, and we must give them the regulatory  
132 certainty == remember, that is the key -- on emerging  
133 technologies they need in order to live up to their legacy.  
134 If we fail, America will be left behind and our competitors  
135 like China, will leave us in the dust.

136       Again, we are not going to let that happen.

137       I am eager to hear from our panel of experts today on  
138 such a critical topic. Thank you again to the witnesses for  
139 being here today.

140       [The prepared statement of Mr. Bilirakis follows:]

141

142 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

143

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144           \*Mr. Bilirakis. And I yield back. The chair recognizes  
145 subcommittee Ranking Member Schakowsky for five minutes for  
146 an opening statement.

147           \*Ms. Schakowsky. Thank you so much, Chairman Bilirakis.  
148 I am so excited to be back here on this -- in the  
149 subcommittee, working with you and working with our new  
150 members and working with our returning members on both sides  
151 of the aisle.

152           You know, we were so successful passing bipartisan  
153 legislation in the last Congress. There was hardly any  
154 difference between us. And so I really look forward to  
155 continuing to do this.

156           And I did want to mention -- you talked a bit about the  
157 challenge of competitiveness with China. And I want to  
158 congratulate you on maintaining our jurisdiction. There is a  
159 new special committee dealing with China. So thank you for  
160 making sure that this idea of our competitiveness and our  
161 ability to compete in a positive way with all of our  
162 competitors and certainly adversaries -- so good work in  
163 making that happen.

164           But I did also want to mention some of the things that  
165 we did. You mentioned a couple of these bills, but I want to



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166 say that we were able to pass out of the full committee the  
167 consumer protection and the -- our legislation on -- the  
168 privacy legislation that we were able to get out of the  
169 House, the American Data Privacy and Protection Act. And I  
170 am hoping and looking forward to as a priority to try and  
171 move that. Americans want to do that.

172 We passed the Consumer Protection and the Recovery Act.  
173 We also passed out of the -- into law Reese's Law, protecting  
174 children; the INFORM Consumer Act, which is not only good for  
175 consumers, but for businesses that have been losing money;  
176 the Sturdy Act, protecting children from furniture that falls  
177 over on them; the Ransomware Act; and the Restoring Brand  
178 USA. These were two of your bills that I was happy to  
179 cosponsor. The Manufacturing.gov Act, Safety Sleep for  
180 Babies, the FTC Collaboration -- is that right -- Act of  
181 2022; the Carbon Monoxide Poisoning Prevention Act. I mean,  
182 so many things for consumers, for ordinary people that we  
183 were able to pass into law.

184 But I definitely do want to say that let's make a  
185 priority of passing our privacy bill. I think this will  
186 really put us on the right track.

187 And let me also say there is -- we know that there is a

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188 lot of work to be done to make our supply chain resilient,  
189 and we need to work on that. Also -- and we face these new  
190 challenges with the growth of our artificial intelligence  
191 that we need to address.

192 And let me just say in closing now is the time for us to  
193 come together. We can do this. We have done this. And I  
194 really look forward to the advances that we are going to make  
195 for consumers, for business, and for the economy of our  
196 country.

197 [The prepared statement of Ms. Schakowsky follows:]

198

199 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

200

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201           \*Ms. Schakowsky. I yield back.

202           \*Mr. Bilirakis. I thank the ranking member. The chair  
203 recognizes the chair of the full committee, Mrs. Rodgers, for  
204 five minutes for her opening statement.

205           \*The Chair. Thank you, Mr. Chairman. Welcome,  
206 everyone, to the first hearing of the Innovation, Data, and  
207 Commerce Subcommittee of the 118th Congress. It is great to  
208 have everyone here, and I would like to congratulate my good  
209 friend, Congressman Gus Bilirakis, on becoming the chairman  
210 of this subcommittee, as well as my friend, Mr. Walberg, for  
211 being the vice chair of the committee.

212           This committee plays a vital role in advancing American  
213 competitiveness and global technological leadership, and it  
214 is critical that we use this panel to ensure that America,  
215 not China, is setting the rules of the road for technologies  
216 of tomorrow.

217           It is no secret that the Chinese Communist Party wants  
218 to replace the United States as a global economic and  
219 technological power. Whether it is artificial intelligence,  
220 self-driving cars, or smart devices, China wants to dominate  
221 these new and emerging technologies.

222           But China's vision of the future is not one that

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223 welcomes American values, values like freedom of speech,  
224 privacy, entrepreneurial enterprise, individual rights, or  
225 the rule of law. The Chinese Communist Party, on the other  
226 hand, spies on its citizens and asserts strict government  
227 control over businesses and the economy. We need to make  
228 sure that these technologies of the future are developed in  
229 an ecosystem that promotes American values, not China's. And  
230 this is a race that we cannot afford to let them win.

231 We must work together to cement America's global  
232 technological leadership. We should start by passing  
233 comprehensive privacy and data security protections with one  
234 national standard. We made history last year when we passed  
235 the bipartisan, bicameral American Data Privacy and  
236 Protection Act 53 to 2 out of this committee, full committee.  
237 But our work isn't over yet, and we have already fallen  
238 behind other countries in establishing a national privacy  
239 standard.

240 I want to thank Mr. Pallone and Ms. Schakowsky, and, of  
241 course, Mr. Bilirakis for his leadership on this. And I am  
242 eager to continue that work. It is a top priority for  
243 Americans, and it needs to be achieved this Congress. And we  
244 can't stop there.

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245           It is also important that we take action to ensure the  
246 development and the deployment of self-driving cars. The  
247 regulatory framework for self-driving cars must be led in the  
248 United States.

249           And again, this comes down to our values versus the  
250 Chinese Communist Party, American values, the importance of  
251 safety for our citizens. China does not. We value our  
252 workforce and free market economies. China does not. We  
253 value civil society groups and their right to speak freely.  
254 China does not.

255           To win the future, the United States must lead on  
256 self-driving cars. We must chart a path so the road is one  
257 we design. And this can be the year we finally push past the  
258 barriers which have derailed the SELF DRIVE Act and other  
259 legislation from becoming law.

260           And we can also build on the America COMPETES Act  
261 legislation, which I had sponsored in the 116th Congress, and  
262 worked with then-chair Ms. Schakowsky to get passed, and it  
263 was on promoting emerging technologies, which is -- was  
264 enacted with many provisions of -- led by members of this  
265 committee.

266           The best way to beat China is to spur innovation and

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267 remove unnecessary, burdensome regulatory barriers. We  
268 cannot and we should not even try to beat China at their game  
269 of massive government handouts and centralized industrial  
270 policy. We won't outspend them, and authorizing billions of  
271 taxpayer dollars without removing burdensome red tape will  
272 only lead to waste.

273 Instead, we need to encourage innovation, ingenuity, and  
274 entrepreneurship. That is the backbone of our economy, and  
275 that can only be achieved with a government that encourages  
276 low barriers to entry for innovative technologies and  
277 startups, and the adoption of emerging technologies that will  
278 improve people's lives.

279 Ensuring Federal agencies don't put undue burden on  
280 businesses and innovators will be a top priority for this  
281 Congress. Whether it is ensuring people's online information  
282 is secure, charting an achievable path towards the  
283 development and the deployment of self-driving cars in the  
284 United States, or setting the global standards for AI and  
285 other emerging technologies, this subcommittee is at the  
286 center of it.

287 You know, the American ingenuity built its first car.  
288 America built its first car in 1893. And then we went on to

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289 dominate manufacturing the car for over 100 years. And we  
290 must secure and win the future in the auto and the tech  
291 sector. You know, I look forward to working with every  
292 member on this panel to preserve our global leadership,  
293 strengthen our economic and national security, and beat  
294 China. My door is always open.

295 I want to thank the witnesses for all being here. Your  
296 testimony is critical in educating all of us.

297 [The prepared statement of Mrs. Rodgers follows:]

298

299 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

300

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301           \*The Chair. And I yield back.

302           \*Mr. Bilirakis. Thank you, Madam Chair, for your  
303 testimony. I appreciate it.

304           Now I will recognize the ranking member of the full  
305 committee, Mr. Pallone, for five minutes.

306           \*Mr. Pallone. Thank you, Chairman, and congratulations  
307 again on your being made the chairman of the subcommittee.

308           America's economic competitiveness has helped cement  
309 America's technological, political, and national security  
310 dominance, but our nation's competitiveness is facing  
311 unprecedented challenges. For three decades the Institute  
312 for Management Development designated our nation's economy as  
313 one of the five most competitive in the world. Three years  
314 ago, during the Trump Administration, that ranking plummeted  
315 to 10th.

316           Globalization, protectionist policies, and extraordinary  
317 market interventions by our economic rivals are key reasons  
318 for this drop. The Chinese government, a frequent purveyor  
319 of predatory economic practices, has adopted policies to give  
320 Chinese companies an unfair competitive advantage. This  
321 includes massive tax breaks and subsidies for Chinese  
322 companies, stifling restrictions on access to the Chinese



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323 market, currency manipulation, foreign mergers and  
324 acquisitions, forced technology transfers, and intellectual  
325 property theft.

326 Their goal is to dominate high-tech industries like 5G,  
327 supercomputers, artificial intelligence, and advanced  
328 manufacturing that are essential to economic prosperity and  
329 military superiority in the 21st century. And as a result,  
330 American manufacturers, innovators, and workers are operating  
331 at a competitive disadvantage. Chinese manufacturers' output  
332 rose by 170 percent between 2008 and 2021. Over that same  
333 period, the U.S. production only grew by 12 percent.

334 Chinese companies now dominate the market for vital  
335 telecommunications network equipment, smartphones, commercial  
336 drones, and photovoltaic cells for solar panel production.  
337 China is also the largest producer of lithium battery cells,  
338 and is making strides in the production of electric vehicles.

339 Now, fortunately, these unprecedented challenges to our  
340 economic prosperity and competitiveness are not going  
341 unchallenged. Last Congress congressional Democrats  
342 delivered by taking bold action to strengthen our  
343 manufacturing base, help create good-paying jobs for American  
344 workers, unleash more innovation, and lower costs for

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345 consumers.

346           The CHIPS and Science Act was one of the major laws that  
347 we passed last Congress, and it invests \$52.7 billion to spur  
348 American semiconductor production. It will ensure more  
349 superconductors are produced right here in the United States,  
350 end our reliance on other countries like China, and lower  
351 costs for consumers for automobiles, consumer electronics,  
352 home appliances, and other goods. It also invests 1.5  
353 billion to support the deployment of innovative, American-  
354 made telecommunications equipment to help counter the spread  
355 of harmful network equipment like China-backed Huawei. The  
356 CHIPS and Science Act was a major win for our global  
357 competitiveness, for our economy, for our consumers.

358           Based on the title of today's hearing, you would have  
359 thought congressional Republicans would have been running to  
360 the floor to vote yes on this bill, but only two Republicans  
361 on this committee supported it. The other 27 opposed it.  
362 While the overwhelming majority of Republicans opposed the  
363 CHIPS and Science Act, we have an opportunity to double down  
364 on these monumental victories and enact more vital  
365 competitiveness legislation into law this Congress.

366           And I know my -- I know that both Chairman Bilirakis and

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367 our Ranking Member Schakowsky mentioned the American Data  
368 Privacy and Protection Act, which is the comprehensive  
369 privacy legislation that myself and Chairwoman Rodgers  
370 sponsored last Congress, and this bill ensures that  
371 consumers, wherever they reside in this country, will have  
372 meaningful control over their personal information, while  
373 providing clear and consistent rules of the road on privacy  
374 and data security to innovators, entrepreneurs, and small  
375 tech companies.

376         And I would also like to see us move the supply chain  
377 resilience subtitle in the America COMPETES Act, which passed  
378 out of the House last Congress. This would create a new  
379 office within the Department of Commerce responsible for  
380 leading a government-wide effort to support manufacturing and  
381 strengthen supply chains critical to the nation's economic  
382 vitality and national security.

383         We can continue to blaze a path to a more competitive,  
384 stronger economy by building on the work of the last  
385 Congress. But one thing we cannot do is dangerously play  
386 chicken with the debt limit, as House Republicans are  
387 threatening to do. House Republicans have pledged the  
388 nation's full faith and credit to force devastating cuts to

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389 Social Security, Medicare, and Medicaid. And that is not the  
390 way to ensure our nation leads the pack economically.

391 So I hope congressional Republicans realize the severe  
392 economic consequences of this action might have, and I also  
393 hope we can begin to work on bipartisan solutions to bolster  
394 our economy and to out-compete the world. And I urge a  
395 strategy that is bipartisan and that will return to  
396 responsible governance, working in the interests of all  
397 Americans.

398 I think all of us have America and our constituents at  
399 heart, and we can work together as we have in the past to  
400 achieve bipartisan solutions that deal with this challenge  
401 from China and other competitors.

402 [The prepared statement of Mr. Pallone follows:]

403

404 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

405

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406           \*Mr. Pallone. So I yield back. Thank you, Mr.  
407 Chairman.

408           \*Mr. Bilirakis. I thank the ranking member. We have  
409 now concluded with members' opening statements.

410           The Chair would like to remind members that, pursuant to  
411 the committee rules, all members' opening statements will be  
412 part of the record.

413           We would like to thank all of our witnesses for being  
414 here today and taking the time to travel to Washington, D.C.  
415 to testify before the subcommittee. Today's witnesses will  
416 have five minutes to provide oral testimony, which will be  
417 followed by a round of questions from members.

418           Our witness panel for today's hearing will include Mr.  
419 Jeff Farrah, the executive director of the Autonomous Vehicle  
420 Industry Association -- welcome, sir; Mr. Marc Jarsulic, who  
421 is a senior fellow and chief economist at the Center for  
422 American Progress -- welcome; Ms. Samm Sacks, cyber policy  
423 fellow, international security program for New America --  
424 welcome; Mr. Brandon Pugh, policy director and resident  
425 senior fellow at R Street Institute. We appreciate you being  
426 here, as well.

427           So, Mr. Farrah, we will begin with you, and you have

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428 five minutes. Thank you.

429 \*Mr. Farrah. Thank you.

430

431 \*Mr. Bilirakis. My pleasure.

432

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433 STATEMENT OF JEFF FARRAH, EXECUTIVE DIRECTOR, AUTONOMOUS  
434 VEHICLE INDUSTRY ASSOCIATION (AVIA); MARC JARSULIC, SENIOR  
435 FELLOW AND CHIEF ECONOMIST, CENTER FOR AMERICAN PROGRESS;  
436 SAMM SACKS, CYBER POLICY FELLOW, INTERNATIONAL SECURITY  
437 PROGRAM, NEW AMERICA; AND BRANDON PUGH, POLICY DIRECTOR AND  
438 RESIDENT SENIOR FELLOW, R STREET INSTITUTE

439

440 STATEMENT OF JEFF FARRAH

441

442 \*Mr. Farrah. Chair Rodgers, Ranking Member Pallone,  
443 Chairman Bilirakis, Ranking Member Schakowsky, distinguished  
444 members of the committee, it is my honor to be here before  
445 you today.

446 I am privileged to lead the Autonomous Vehicle Industry  
447 Association, which is the unified voice of the AV industry,  
448 and represents leading automotive, technology, trucking, and  
449 transportation companies. Our mission is to advocate for the  
450 safe and timely deployment of autonomous technology that will  
451 increase safety, expand mobility, and boost supply chains.

452 We appreciate the strong leadership that has come from  
453 this committee in past congresses, and look forward to  
454 working with you this year.

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455           It is important to recognize that autonomous vehicles  
456 are not science fiction. They are here today. Across the  
457 United States, autonomous driving technology is being applied  
458 to passenger vehicles, trucks, delivery vehicles, and  
459 shuttles. AVs are operating in Arizona, Arkansas,  
460 California, Florida, Michigan, Texas, Washington State, and  
461 more.

462           It is key to understand why developers are focused on  
463 bringing AV technology to market. It is not an exaggeration  
464 to say that safety motivates everything that the AV industry  
465 does, and AVs will make Americans safer. After all, AVs  
466 don't speed, they don't drive drunk, and they don't drive  
467 distracted. Sadly, human drivers do all of those things, and  
468 the Department of Transportation has affirmed that human  
469 behavior is the overwhelming contributor to the 43,000 deaths  
470 on American roads that we suffered in 2021, which is an 11  
471 percent increase over the year before.

472           Our industry offers a solution to this tragic problem.  
473 Autonomous vehicles are safer than human drivers because they  
474 use advanced technology to develop a real-time three-  
475 dimensional view that informs the automated driving system,  
476 which is the brain that drives the vehicle without the need



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477 for human input. AVs are capable of making quicker decisions  
478 with many more inputs than a human driver.

479 Beyond improving safety, AVs have the potential to  
480 radically improve mobility for the elderly and disability  
481 communities. AVs are also starting to show how they can ease  
482 the supply chain crisis and deliver environmental benefits.

483 Let's turn to the issue of AV adoption worldwide.  
484 American AV companies have the most advanced autonomous  
485 vehicles, and billions of dollars have been invested in  
486 innovative companies. But unfortunately, the United States  
487 is at severe risk of falling behind the rest of the world on  
488 AV public policy, which could deny Americans the technology's  
489 lifesaving and mobility benefits.

490 One competitor is the Chinese Government, which has made  
491 AV development a top priority, and highlighted AVs in its  
492 Made in China 2025 Strategic Initiative. These measures are  
493 producing autonomous companies with global aims. China's  
494 focus on advancement in this space should be alarming, as no  
495 American policymaker should want to see a world where China  
496 dominates the AV market. This scenario presents national  
497 security challenges, and would also mean that the U.S. would  
498 not see much of the job creation from a prosperous AV

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499 industry.

500           The United States cannot assume it will win the global  
501 AV race, thereby securing a leadership position in what many  
502 estimate will be a multi-trillion-dollar market opportunity.  
503 For the United States to win the AV race, we must put in  
504 place a national policy framework focused on deployment and  
505 commercialization.

506           The time is long past due, as efforts to enact a  
507 national AV framework have stalled in recent years. Twenty-  
508 two states have taken action to authorize deployment of  
509 autonomous vehicles on their roads. State-by-state action is  
510 not ideal, but it has become important for AV advancement in  
511 the absence of a Federal framework.

512           I detail what a Federal policy framework should look  
513 like in my written testimony, which includes reforming the  
514 vehicle exemption process that is harming commercialization  
515 and completing agency rulemakings that remove barriers to  
516 deployment. This action would send a strong message that our  
517 country is determined to be the global leader on the next  
518 great technological change for our world.

519           We are at a crossroads for the American AV industry, and  
520 frankly, we need your help. Make no mistake, the United

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521 States can lead the way on autonomous vehicles, but  
522 policymakers must prioritize AV policy, and do so with  
523 urgency.

524 Thank you for the opportunity to testify today, and I  
525 look forward to any questions you may have.

526 [The prepared statement of Mr. Farrah follows:]

527

528 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

529

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530           \*Mr. Bilirakis. Thank you, Mr. Farrah. Now we will  
531 recognize Mr. Jarsulic.

532           You are recognized, sir, for five minutes.

533

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534 STATEMENT OF MARC JARSULIC

535

536 \*Mr. Jarsulic. Thank you, Chairman Bilirakis and  
537 Ranking Member Schakowsky, for the opportunity to testify at  
538 this important hearing.

539 Today I will focus briefly on three points: the  
540 importance of a strong manufacturing sector for economic  
541 competitiveness and national security; the requirements for  
542 success in advanced manufacturing; and the need for effective  
543 industrial policy to support that success.

544 First on manufacturing -- the importance of  
545 manufacturing competitiveness. Manufacturing has  
546 historically been a source of productivity growth and high-  
547 wage employment. Much of manufacturing productivity growth  
548 is derived from innovation. It is the adoption of new  
549 technologies. The ability of many U.S. manufacturers to  
550 operate at the technical frontier has made U.S. manufactured  
551 goods competitive internationally. And until recently, the  
552 U.S. was the largest manufacturing exporter.

553 While in the aggregate much of U.S. manufacturing  
554 productivity remains at the frontier, the competitive lead  
555 has been eroded. For example, in recent decades German

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556 manufacturing total factory productivity growth, which is  
557 commonly used as a measure of innovation, has exceeded that  
558 of the U.S.

559 U.S. manufacturing has also been challenged by the rise  
560 of China as a competitor. China has overtaken the U.S. as  
561 the world's leading manufacturer -- or leader in  
562 manufacturing value added, and leads the U.S. in  
563 manufacturing exports. In addition, the Chinese Government  
564 is devoting considerable resources to move ahead in crucial  
565 areas such as artificial intelligence, advanced robotics,  
566 energy saving vehicles, biopharma.

567 These challenges to U.S. leadership in advanced  
568 manufacturing create both economic and security risks. The  
569 reduction in domestic auto production over the past two years  
570 caused by semiconductor chip shortages illustrates the  
571 economic risk posed by disruptions to semiconductor supply  
572 chains. Security risks are illustrated by the Department of  
573 Defense's ongoing reliance on Asian producers of micro-  
574 printed circuit boards, which are essential to many national  
575 defense electronic systems.

576 Let me now talk briefly about the requirements for  
577 advanced manufacturing. Advanced manufacturing success has

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578 four basic elements: scientific discovery, the ability to  
579 translate new science into prototypes and new processes,  
580 standards and tests to control quality, and a well-trained  
581 workforce.

582         Because private actors can't capture all the benefits of  
583 investing in these requirements -- it is hard, for example,  
584 to keep scientific ideas secret, or to prevent well-trained  
585 workers from going elsewhere -- the level of investment in  
586 each of these can be insufficient. When there are public  
587 goods obstacles of this kind, policy can help to overcome  
588 them.

589         In the 1990s, for example, SEMATECH, an industry-  
590 government consortium, helped to develop semiconductor  
591 manufacturing processes and novel measuring techniques.  
592 These collaborations helped maintain industry  
593 competitiveness.

594         Let me now say something about the need for effective  
595 industrial policy. With the major exceptions of support for  
596 basic scientific research and defense-related investments by  
597 DARPA and other agencies, domestic policy has not  
598 systematically focused on manufacturing in recent decades.  
599 Given the challenges facing U.S. industry, this neglect has

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600 not been benign.

601       It is, therefore, encouraging that several pieces of  
602 legislation passed in the last Congress include important  
603 industrial policy measures. The bipartisan investment -- the  
604 Bipartisan Infrastructure Act is a major step in restoring  
605 and upgrading basic public infrastructure. The CHIPS Act  
606 provides substantial new support for basic scientific  
607 research in strategic areas, public and private partnerships  
608 with industry, STEM education and workforce training, and  
609 standard-setting by NIST.

610       The Inflation Reduction Act provides important  
611 incentives for private investment in clean energy and  
612 climate-related production over the next decade. Taken  
613 together, these three bills provide support for public goods  
614 and create private-sector incentives that will strengthen our  
615 manufacturing competitiveness and national security.

616       In conclusion, it is reasonable to say that a  
617 competitive advanced manufacturing sector delivers important  
618 economic and security benefits. It is also reasonable to say  
619 that U.S. manufacturing is more likely to stay on a  
620 competitive frontier and to minimize economic and security  
621 risks if it is supported by effective industrial policy.



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622 These facts make industrial policy a crucial area for future  
623 action.

624 Thank you for your attention. I would be happy to  
625 answer any questions you may have.

626 [The prepared statement of Mr. Jarsulic follows:]

627

628 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

629

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630           \*Mr. Bilirakis. Thank you very much. I want to thank  
631 the witnesses for sticking to the five minutes -- or under  
632 the five minutes. Good timing.

633           Okay. Now we will recognize Ms. Sacks for her five  
634 minutes of testimony. Thank you.

635

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636 STATEMENT OF SAMM SACKS

637

638 \*Ms. Sacks. Chairman Bilirakis, Ranking Member  
639 Schakowsky, thank you for the opportunity to testify today.  
640 I am a senior fellow at Yale Law School's Paul ti China  
641 Center and at New America. I am also a senior fellow for  
642 China with the Cross Border Data Forum. And I advise U.S.  
643 corporate clients on China's technology policies. I have  
644 been an analyst and a linguist focused on Chinese data and  
645 cybersecurity policies for over a decade.

646 While my expertise focuses on China, my view is that the  
647 most effective solution for strengthening U.S.  
648 competitiveness and leadership in governing emerging  
649 technologies requires an approach that is more comprehensive  
650 than our response to any single country.

651 Passing Federal privacy law that addresses how all  
652 companies collect, transfer, and process data will enhance  
653 competition while also addressing harms regardless of where  
654 that risk originates. U.S. lawmakers have an opportunity  
655 here to both address transnational threats, while also  
656 advancing a more secure, ethical, and democratic global  
657 Internet in its own right.

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658           The Chinese leadership has embarked on an ambitious  
659 national data strategy with the goal of acquiring,  
660 collecting, and extracting value from large volumes of data.  
661 My written testimony provides more details on this issue.  
662 Beijing could use data collected and aggregated from overseas  
663 to build profiles of individuals with national security  
664 clearances or those with access to critical infrastructure,  
665 enabling the manipulation, coercion, and blackmail.

666           Now, for most Americans this is probably not going to be  
667 a top concern. But I do think that the impact on economic  
668 competition and U.S. global leadership in emerging  
669 technologies may be far more reaching. Access to data  
670 collected abroad provides Chinese companies insights into  
671 population and consumer behavior, risk tolerance, and other  
672 preferences. This helps to strengthen the competitiveness of  
673 Chinese firms by enabling them to develop products and  
674 services that are better tailored to markets beyond China.  
675 And it enhances the ability of those firms to then compete  
676 with U.S. companies. I am talking about markets beyond the  
677 United States or China, as both Beijing and Washington  
678 increasingly look to decouple from one another's markets.

679           The most significant step that U.S. lawmakers can take

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680 to strengthen U.S. global competitiveness, while also  
681 enhancing consumer privacy and addressing these pressing  
682 national security risks, is to pass comprehensive Federal  
683 privacy law. The goal is to address all harms related to  
684 data processing and to focus on securing the data itself,  
685 rather than a country of origin or any single company.  
686 Inaction by the United States means ceding leadership to  
687 Europe and to China in setting these global norms and  
688 standards.

689 In addition, the United States should work with like-  
690 minded governments to develop a common set of standards that  
691 would allow data to flow. I would like to note the potential  
692 for the Global Cross Border Privacy Rules, a data transfer  
693 alliance that requires companies to certify to common  
694 standards for privacy protection, while enabling cross-border  
695 transfers for those certified companies.

696 What this does is it creates a coalition of allies that  
697 are sharing data with the United States. The ability of U.S.  
698 firms to maintain high rates of innovation depends on access  
699 to global markets, to international data sets, and to talent.  
700 If U.S. firms cannot send data out of countries in which they  
701 operate overseas, this directly impacts economic growth and

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702 innovation and AI that is core to building applications that  
703 work across a variety of demographics.

704 I urge U.S. lawmakers to address national security risks  
705 and protect Americans' privacy by putting forward an  
706 affirmative vision for U.S. data governance. ADPPA marks an  
707 important step in this regard that merits further attention  
708 and discussion. Inaction will only make the United States  
709 less secure, less prosperous, less powerful, while allowing  
710 more space around the world for the CCP to set the rules and  
711 norms for technologies that will shape the future.

712 Thank you.

713 [The prepared statement of Ms. Sacks follows:]

714

715 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

716

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717           \*Mr. Bilirakis. I appreciate it very much. Next is Mr.

718 Pugh.

719           You are recognized for five minutes, sir. Thank you.

720

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721 STATEMENT OF BRANDON PUGH

722

723 \*Mr. Pugh. Chairman Bilirakis, Ranking Member  
724 Schakowsky, and members of the subcommittee, thank you for  
725 considering my testimony and for the invitation to speak at  
726 the hearing.

727 Let me begin by thanking the subcommittee and the  
728 members of the entire Energy and Commerce Committee for the  
729 time dedicated to developing comprehensive Federal data  
730 privacy and security legislation last Congress.

731 We focus on finding consensus on a comprehensive Federal  
732 data privacy and security law in the United States. One key  
733 aspect of our ongoing work is the intersection of privacy and  
734 security, including how national security and data security  
735 should be key drivers in passing a Federal law. Data privacy  
736 and security are vital to both consumers and industry.  
737 However, such a law is vital to national security. This  
738 often under-appreciated aspect is the focus of my testimony.  
739 Given the topic of today's hearing, I will focus my analysis  
740 on China.

741 In 2020, the China Task Force found that the Communist  
742 Chinese Party has a record of using official government



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743 resources and companies with CCP affiliations to compromise  
744 the data of people around the world, and that the United  
745 States and its allies need to join the effort to secure data  
746 from the CCP surveillance state and other malign entities.

747         These concerns are especially prevalent in China itself,  
748 where advanced technology is used to track and monitor their  
749 citizens with few, if any, protections. I wish I could say  
750 that the concerns raised in 2020 are no longer valid. In  
751 fact, it is the opposite: they are worse. Data can reveal  
752 everything from your shopping habits to sensitive parts of  
753 your life, like your health and location. This, in the hands  
754 of the adversary or malicious actor, can have devastating  
755 consequences, especially for vulnerable populations. As one  
756 recent example in the Russia-Ukraine War, data can even be  
757 amassed to target disinformation campaigns or direct even  
758 physical violence toward those in conflict. This is  
759 certainly not an isolated capability, and something that the  
760 United States should worry about.

761         It goes without saying that the United States' rivalry  
762 with China has taken on a digital nature. And China has been  
763 in a race with us in terms of technology for years, from  
764 artificial intelligence to military-specific technology.

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765 There are ways to help mitigate and reduce these concerns,  
766 even though China's collection and use of data will likely  
767 never end. A national data privacy and security law, much  
768 like the American Data Privacy and Protection Act, also known  
769 as ADPPA last Congress, is the most logical next step. I  
770 will explore three main benefits, and how it could address  
771 the data collection crisis that my written comments expand  
772 on.

773 First, acting on privacy legislation makes America more  
774 competitive. Countries around the world have acted. Even  
775 China has privacy laws. Unfortunately, those are more likely  
776 to be disingenuous attempts by the Chinese Government to  
777 appear concerned about privacy and security than genuine  
778 efforts to promote privacy. This is especially true, given  
779 the continued surveillance abuses in China and the lack of  
780 security for even Chinese citizens' data.

781 Nevertheless, the United States still lacks a  
782 comprehensive privacy law, and is becoming an outlier,  
783 especially as a country that leads in trade and is looked to  
784 as a norm setter. This has led to companies both American  
785 and global adopting other frameworks as the default. The  
786 lack of a privacy law also does not obligate most foreign

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787 companies to follow specific privacy or security rules while  
788 operating in the United States. Congress has the opportunity  
789 to change this by enacting a law and clearly conveying the  
790 United States' position.

791 Second, many aspects of ADPPA would help mitigate data  
792 privacy and security threats. For example, ADPPA contained  
793 data minimization principles, which means data should only be  
794 collected to the extent it is necessary or proportionate to  
795 provide a product or service. In addition to the value this  
796 adds to Americans individually in terms of privacy, it helps  
797 reduce the amount of data collected and available in the  
798 first place.

799 Other beneficial provisions include a requirement for  
800 privacy policies to alert individuals that their data is  
801 transferred to select countries like China, and establishing  
802 strong data security standards. Preemption is also a  
803 beneficial aspect because it creates one standard which would  
804 allow for threats from adversaries and bad actors to be dealt  
805 with consistently.

806 Third, data privacy and security legislation has broader  
807 impacts. TikTok has continued to raise concerns on a  
808 bipartisan basis. Several options exist to address TikTok.

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809 But regardless of the path chosen, it is only a partial  
810 solution.

811 First, TikTok is just one application from one country.  
812 Not only are there risks from other adversarial countries,  
813 there are also other current and future applications that  
814 will pose risks.

815 Second, many software and hardware products that pose  
816 risks like connected devices. While a Federal data privacy  
817 and security law might not be the full solution to those  
818 concerns, it would serve as a way to help reduce what  
819 information can be collected; who to share it with; require  
820 security; and provide for enforcement, should it be violated.

821 Failing to act on Federal legislation would ignore the  
822 broader risks posed by data, and leave threats from China and  
823 other malicious actors unmitigated.

824 The United States may lag behind other countries by not  
825 having a Federal data privacy and security law, but the 118th  
826 Congress has the opportunity to chart a path forward.

827 Thank you, and I look forward to your questions.

828 [The prepared statement of Mr. Pugh follows:]

829

830 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

831

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832           \*Mr. Bilirakis. Thank you very much for moving along  
833 nicely. I want to thank you for your testimony. I  
834 appreciate all the witnesses. We will now move to the  
835 question-and-answer portion of the hearing.

836           I will begin the questioning, and recognize myself for  
837 five minutes. I would like to start with Mr. Farrah.

838           Congrats again on your new role with AVIA. I hope the  
839 broad coalition you have assembled demonstrates the  
840 imperative of breaking the deadlock on this lifesaving  
841 technology.

842           To me, the mobility benefits are very important. I was  
843 disappointed that last Congress my amendment was blocked from  
844 being considered that -- it focused specifically on providing  
845 a path for AVs to serve those living with disabilities, such  
846 as the visually impaired.

847           I also wanted to recognize John Pare -- if you could  
848 raise your hand, sir, I would appreciate that -- who is with  
849 us today from the National Federation of the Blind. Thank  
850 you. Welcome, sir.

851           He and NFB have been tremendous advocates for the living  
852 -- those living with disabilities, as well as the great  
853 benefits that self-driving cars will have -- a mode of

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854 mobility for the community. So very important. I can tell  
855 you that we need them in my congressional district, that is  
856 for sure.

857 I would like to request unanimous consent to enter into  
858 the record the amendment and the letter from NFB in support  
859 of the amendment I have submitted.

860 Without objection, so ordered.

861 [The information follows:]

862

863 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

864

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865           \*Mr. Bilirakis. Mr. Farrah, can you elaborate on the  
866 ability for China to turn the dials up on testing these  
867 technologies in contrast with what we have faced here in the  
868 United States?

869           It seems like the CCP can just flip a switch, tell a  
870 province they are going to clear it for full AV testing, and  
871 race past the U.S., while we delay and argue over small  
872 political differences and regulatory approach. If you could,  
873 address that.

874           And how can we instead show the world that America's  
875 approach is superior by unleashing American innovation,  
876 American innovators such as those flourishing in my home  
877 state of Florida and across the United States, please?

878           \*Mr. Farrah. Mr. Bilirakis, thank you very much. Mr.  
879 Bilirakis, thank you very much for the question, and thank  
880 you very much for highlighting the role that John and the  
881 National Federation for the Blind play. I think that  
882 mobility for individuals that have physical disadvantages is  
883 a key aspect of what it is that our industry is trying to  
884 achieve. And I have been fortunate to work closely with John  
885 and his organization and hear him talk passionately about the  
886 level of independence that AVs would deliver to individuals

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887 within his organization.

888           Relative to your question, sir, I think it is important  
889 to note here that we obviously have incredibly different  
890 systems from the People's Republic of China in the United  
891 States. And while I think it is important to look at China  
892 as an important example of a country that has aims to be a  
893 leader on autonomous vehicles, by no means do we need to  
894 replicate what it is that they are doing in their country.

895           We, obviously, have been successful in being global  
896 innovation leaders for decades in the United States, and we  
897 have our own American brand of innovation. And so I think  
898 that you all shining a light on this problem is very  
899 important, but we also need to make sure we solve this in an  
900 American way.

901           I think that one thing that I do elaborate on in my  
902 written testimony is the need for a Federal legislative  
903 framework. This is something where we are very eager to work  
904 with members of this committee to determine your priorities,  
905 but also to do things like address the exemption caps for  
906 novel vehicles; address issues with the FAST Act; address  
907 issues with the make inoperative provision; also look at a  
908 lot of NHTSA rulemakings that are going on. And so these are



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909 things we are very eager to do, and thank you again for the  
910 leadership.

911 \*Mr. Bilirakis. I appreciate it very much. Thank you.  
912 I want to get to Ms. Sacks.

913 You have just heard my concern, of course, Ms. Sacks,  
914 about how China can decide the future of this technology, God  
915 forbid. Can you provide some more color and analysis for  
916 what happens when we fall behind on technology like this, and  
917 what it means to American jobs and supply chains?

918 This seems to -- you know, this -- we don't want it to  
919 happen again, what happened with Huawei. So if you could  
920 expand on your testimony, we would appreciate it very much.  
921 And I guess you have got about 35 seconds.

922 \*Ms. Sacks. America should lean into our own strengths  
923 and having open markets, free expression, and use those  
924 strengths to target investments, incentivize R&D in these  
925 areas, as well as the governance structures of those. And I  
926 am happy to provide more color in written form, because I  
927 recognize that we are close on time.

928 \*Mr. Bilirakis. I now will go to Ms. Schakowsky for her  
929 five minutes of testimony -- excuse me -- questions. But it  
930 could be testimony, if you like. It is your five minutes.

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931           \*Ms. Schakowsky. So I am so happy to hear the broad  
932 discussions about data privacy. And it has certainly helped  
933 us in the past with American competitiveness, globally. But  
934 for decades, America -- while America did lead the world in  
935 technological innovation, we are now seeing that there are  
936 threats by our lack of the -- of a comprehensive privacy  
937 piece of legislation.

938           So according to the first page of Ms. Sacks's written  
939 testimony, you had a passage about -- let's see -- about  
940 passing -- about the importance of passing a comprehensive  
941 Federal privacy legislation. And I would just like to -- I  
942 think, Mr. Pugh, you commented on that.

943           But I would also ask Mr. Farrah and Mr. -- I am sorry,  
944 pronouncing your name -- what do you feel about the -- about  
945 privacy legislation and its importance in the conversation  
946 that we are having today?

947           Mr. Farrah.

948           \*Mr. Farrah. Thank you very much for the question. I  
949 think that privacy is, obviously, incredibly, incredibly  
950 important. Our industry does not have a position on the  
951 previous legislation, but insofar as this subcommittee is  
952 active in that regard this Congress, we would be eager to

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953 work with you and share our views.

954 \*Ms. Schakowsky. As we move forward on autonomous  
955 vehicles, I think privacy is going to be a big issue.

956 Yes, sir.

957 \*Mr. Pugh. I would agree that a rational, comprehensive  
958 approach to privacy is important. Invasions of privacy have  
959 real significance for individuals and households in the U.S.  
960 I think that is one of the reasons why the FTC is currently  
961 considering rulemaking with respect to online privacy. And I  
962 think, as other testimonies make clear -- and I think it is  
963 pretty well known -- that differential access to data within  
964 our economy and compared, say, to the Chinese economy has  
965 competitive significance, as well. So I think legislation  
966 that addresses issues of privacy thoroughly and  
967 comprehensively could be incredibly valuable.

968 \*Ms. Schakowsky. And I think on this subcommittee we  
969 are so proud that we were able to get almost unanimous  
970 support on both sides of the aisle to pass it out of  
971 committee. And now we just have to go the next step.

972 Ms. Sacks, I wanted to ask you -- and I think we -- and  
973 I want to hear more from Mr. Pugh, but -- on the issue of  
974 minimization, and why that is so important in your

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975 presentation.

976 \*Ms. Sacks. Thank you. You know, I am not a privacy  
977 law expert, so I will defer to others on how specifically to  
978 think about that issue. But what I will say is that it is  
979 important to keep in mind a balance between two important  
980 areas.

981 One is that the data collected and retained and not  
982 secured properly will be vulnerable to all bad actors,  
983 whether you are talking about a sophisticated state actor, a  
984 data broker, or those that are transferring it openly on the  
985 commercial market. You know, Equifax's security flaws were  
986 well documented, even though you had a sophisticated hack  
987 from China.

988 At the same time, we also have to keep in mind the  
989 balance, right? Because as I mentioned in my testimony, AI  
990 depends on access to quality and quantity of data, and U.S.  
991 firms need access to that in order to innovate in AI. So  
992 certain things like a flashlight app, does it need to collect  
993 location data? I would say probably not. And so there need  
994 to be guardrails around -- the purpose that that data is  
995 collected.

996 In other areas, we need to make sure that we are not

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997 being overly restrictive because of the need for AI to use  
998 quality and quantity of data. So how do we strike that  
999 balance? I think that is an area that very much merits  
1000 deeper discussion.

1001 \*Ms. Schakowsky. Thank you.

1002 Mr. Pugh, did you want to comment on that, on the  
1003 minimization issue?

1004 \*Mr. Pugh. Yes, I would be happy to. So data  
1005 minimization is one of the key reasons why ADPPA or whatever  
1006 future bill it may be is essential to national security. We  
1007 are essentially limiting the data that is available in the  
1008 first place to -- as we just said, we don't want to make it  
1009 too constrained that we don't have the data necessarily for  
1010 technology, but making sure we only have the data that is  
1011 necessary and proportionate using the bill's language is so  
1012 critical, and it helps minimize what could potentially fall  
1013 in the hands of the Chinese Government.

1014 \*Ms. Schakowsky. Mr. Pugh, your testimony mentioned  
1015 reports of baby cameras spying on children. And I wondered  
1016 if you would comment on that, there right now is no Federal  
1017 law that would stop that, even China doing that. And, you  
1018 know, I think those of us who are parents here and around the

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1019 country would be very concerned about protecting that data.

1020 Did you want to comment on that?

1021 \*Mr. Pugh. I would be happy to. I think, to your  
1022 example, Congresswoman, that is a -- baby camera spying on  
1023 babies is definitely a real possibility.

1024 We also see vacuum cleaners mapping out homes. I think  
1025 those are real concerns that we need to address. And it  
1026 really ties into the benefits of IoT, or Internet of Things,  
1027 but also some of the risks.

1028 \*Mr. Bilirakis. Thank you.

1029 \*Ms. Schakowsky. My time is up, and I thank you.

1030 \*Mr. Bilirakis. I appreciate it very much. Now I will  
1031 recognize the chair of the full committee, Mrs. Rodgers, for  
1032 her five minutes.

1033 \*The Chair. Thank you, Mr. Chairman.

1034 Last year Congress passed legislation to encourage the  
1035 building of semiconductor chips in the United States. I  
1036 believe Mr. Pallone references this legislation. And without  
1037 a doubt, it is critical that we are manufacturing  
1038 semiconductor chips in the United States.

1039 I just wanted to let people know that I raised with  
1040 Secretary Raimondo, legislators, and manufacturers themselves

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1041 that we should be pairing permitting reform with any Federal  
1042 subsidies to semiconductor manufacturers. Unfortunately,  
1043 that seemed to fall deaf -- on deaf ears. They -- really  
1044 interested in the money.

1045           So now we have manufacturers that are coming to us  
1046 looking for exemptions from NEPA because the Federal dollars  
1047 are triggering long and erroneous environmental reviews for  
1048 them. Now, I wish that they would have been open to those  
1049 concerns before the legislation passed. So now the largest  
1050 manufacturers may receive exemptions from the President. I  
1051 am not so sure about the startups or others across this  
1052 nation, and it just highlights the importance.

1053           And I wanted to add to the record without -- add to the  
1054 record an article on Intel's horrible quarter revealed an  
1055 inventory glut and underused factories.

1056           \*Mr. Bilirakis. Without objection, so ordered.

1057           [The information follows:]

1058

1059 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

1060

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1061           \*The Chair. So, you know, we -- I agree that the NEPA  
1062 process needs serious reforms, and I hope that the  
1063 Semiconductor Manufacturers Administration and members of  
1064 this committee will work with us on bringing common-sense  
1065 reforms to NEPA so that we can get America back into the  
1066 business of building things.

1067           The number one barrier to building anything in the  
1068 United States is the permitting processes. It is the number  
1069 one barrier to manufacturing, building, doing anything in the  
1070 United States. So we are going to go to work on that, too.

1071           Back to privacy. Back to privacy and the importance of  
1072 a national data security law. And as has been referenced, we  
1073 passed the bill out of committee last year, with ADPPA. I  
1074 believe this is foundational. This is foundational for our  
1075 global leadership and securing personal information for every  
1076 American, especially from foreign threats.

1077           So to Ms. Sacks, we know that China has stolen our data,  
1078 and we know that they are not going to stop. So how do you -  
1079 - would you speak to ADPPA in protecting us from future  
1080 threats, while also promoting new technologies?

1081           \*Ms. Sacks. The goal that I think this bill achieves is  
1082 that it both manages to address the transnational threat, a



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1083 range of bad actors, but also protects consumers and secures  
1084 that data here at home.

1085         You know, I have -- traditionally, I think that it is  
1086 not a good idea to look at domestic issues always through a  
1087 China national security threat lens. And I think skeptics  
1088 might raise that question. This is a position, however, that  
1089 I have long advocated, which is if we want to both address  
1090 bad foreign actors and better enhance privacy protections at  
1091 home, this is the baseline that we need to do it.

1092         And in terms of fostering innovation, as I have  
1093 mentioned, U.S. firms need access to global data flows. But  
1094 how do we do that in a safe, secure, and ethical way? We  
1095 establish high baselines of -- around how the data is  
1096 collected and transferred and retained. And that is the  
1097 balance that I think U.S. Federal privacy law needs to  
1098 strike.

1099         \*The Chair. Thank you. I wanted to -- I referenced the  
1100 legislation, the America COMPETES Act, that I had worked on  
1101 in the 116th Congress, and it really was asking -- requiring  
1102 the Department of Commerce to drill down on emerging  
1103 technologies and give us some recommendations on how we make  
1104 sure that we are leading on AI, as well as others. Would you

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1105 -- we are still waiting on those recommendations, but would  
1106 you just speak to what you believe we need to be doing to  
1107 safeguard our data, while finding a balance to lead on AI?

1108 \*Ms. Sacks. You know, I think here we play offense and  
1109 we play defense.

1110 From an offensive perspective, we probably should not  
1111 think about any single country, but how do we invest and  
1112 incentivize innovation at home, with a focus on digital  
1113 infrastructure, fiber optic networks? How do we create  
1114 better space for U.S. firms to compete overseas?

1115 And cooperation with allies and partners. The EU-U.S.  
1116 Tech and Trade Council is one area. Working with Japan is  
1117 another.

1118 I think it is also important to take what has been  
1119 referred to as a small yard/high fence approach. Let's be  
1120 selective about what we are protecting. Not everything is a  
1121 national security issue and, in fact, with AI sometimes there  
1122 is a symbiotic relationship, and it is hard to prevent code  
1123 from crossing borders. So let's be smart, and use a risk-  
1124 based approach.

1125 \*The Chair. Mr. Farrah, I understand you worked for the  
1126 National Venture Capital Association. I would love to talk

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1127 to you further and hear more about how you believe the  
1128 regulatory framework is impacting our market leadership. So  
1129 anyway, but I ran out of time.

1130 I will yield back.

1131 \*Mr. Bilirakis. I thank the chair, and I will recognize  
1132 the ranking member of the full committee, Mr. Pallone, for  
1133 five minutes.

1134 \*Mr. Pallone. Thank you, Chairman. I want to echo the  
1135 sentiments of Ranking Member Schakowsky about the need to  
1136 enact the American Data Privacy and Protection Act, which, of  
1137 course, is bipartisan with Chairwoman Rodgers and myself.

1138 But I also -- I am concerned about, as I said in my  
1139 opening, what the Republican leadership is planning on with  
1140 regard to the debt ceiling. You know, they have threatened  
1141 to leverage the debt limit to enact crippling budget cuts to  
1142 bedrock American programs.

1143 Experts have warned that defaulting on our nation's debt  
1144 obligations, a debt that was amassed during both Democratic  
1145 and Republican congresses, could wreak havoc on our financial  
1146 markets, potentially causing the stock market to plummet and  
1147 capital markets to freeze.

1148 So let me start with Mr. Jarsulic.

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1149           How would defaulting on our national debt affect  
1150 American competitiveness?

1151           \*Mr. Jarsulic. So, I think that it is pretty well  
1152 recognized on the basis of the previous incidents in 2011,  
1153 2013, where we came close to hit a debt limit, that the  
1154 economic consequences can be relatively severe. I think we  
1155 can expect upward spikes in Treasury rates if the default  
1156 process went on long enough. There would be a translation of  
1157 that, those interest rate increases, into mortgages, into  
1158 consumer credit cost, because those interest rates are based  
1159 off Treasury rates.

1160           I think we could expect equity market declines. I think  
1161 we can expect hits to consumer confidence, all of which --  
1162 demand, slow the economy at a moment when people have  
1163 concerns about tipping into a recession. That creates a big  
1164 risk.

1165           In the slightly longer term, repeated run-ups to debt  
1166 limits and potential of default has already had an effect on  
1167 the way that the world views Treasury securities. S&P  
1168 downgraded us from the highest possible rating for sovereign  
1169 debt, and that downgrade has persisted. If we go through  
1170 another incident -- instance where we actually hit the limit,

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1171 I think that there is a possibility that, in the long term,  
1172 foreign investors in Treasury securities will re-evaluate the  
1173 risk, and they will demand more of a risk premium in order to  
1174 [inaudible].

1175 So I think that the aggregate demand effects, the long-  
1176 term cost effects of a default are really quite significant.

1177 \*Mr. Pallone. Well, thank you. Let me ask Mr. Farrah.

1178 Your testimony states that we must have a strong capital  
1179 market to "continue to lead on AV development and  
1180 deployment.'" Now, how would defaulting on a national debt  
1181 and destabilizing the financial sector affect your members'  
1182 ability to develop and deploy AVs?

1183 \*Mr. Farrah. Ranking Member Pallone, thank you very  
1184 much for the question.

1185 As I write, the capital markets are incredibly important  
1186 because we have both innovative startup companies that are  
1187 trying to deploy autonomous technology. We also have larger  
1188 companies with experience scaling in the transportation  
1189 sector that are financing a lot of the research that I  
1190 mentioned, and testing that is going on. And so certainly,  
1191 this is something that is very important to the health of our  
1192 industry so that we can bring the promise of AVs to your

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1193 constituents.

1194           That said, we do not have a position as an industry on  
1195 the default that you mentioned.

1196           \*Mr. Pallone. But your testimony also provides several  
1197 recommendations from DoT that could -- that they could adopt  
1198 to support the deployment of AVs. Would the DoT be better  
1199 positioned to carry out these recommendations if their budget  
1200 is dramatically cut?

1201           \*Mr. Farrah. The Department of Transportation is a very  
1202 important partner to us, obviously. That is something that  
1203 we very much value -- the collaboration. We have  
1204 recommendations that we have put forward to DoT in terms of  
1205 doing things like updating the Federal Motor Vehicle Safety  
1206 Standards, and that is an ongoing conversation.

1207           In terms of overall funding levels, that is something --  
1208 we, obviously, defer to Congress and your judgment as to what  
1209 those funding levels might be.

1210           \*Mr. Pallone. All right.

1211           And, Mr. Jarsulic, how would stringent budget cuts  
1212 affect our nation's ability to compete?

1213           \*Mr. Jarsulic. So really large budget cuts probably  
1214 will affect the ability of the Federal Government to provide

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1215 things that are important for the normal functioning of the  
1216 economy. The Federal expenditure supports health care,  
1217 supports infrastructure, supports scientific research and  
1218 development. And if those things are compromised, the  
1219 functioning of the economy is clearly going to be affected.

1220 In addition, large cuts in expenditures will create an  
1221 immediate shock to demand, and that can have important  
1222 employment and -- effects, as well.

1223 \*Mr. Pallone. Thank you.

1224 Thank you, Mr. Chairman.

1225 \*Mr. Walberg. [Presiding] I thank the ranking member,  
1226 and now I recognize the gentleman from Indiana, Mr. Bucshon.

1227 \*Mr. Bucshon. Thank you, Mr. Chairman. I want to  
1228 congratulate Mr. Jarsulic for sticking to his talking points  
1229 on the debt ceiling to help out Chairman Pallone on that  
1230 narrative. But the reality is we have never defaulted, and  
1231 it always gets raised.

1232 The other thing I want to point out is that the CHIPS  
1233 Act was included in a larger bill. We all know this, right?  
1234 It had many, many policies the Republicans just couldn't  
1235 support. And, you know, it is disingenuous to say we didn't  
1236 support the concept. Look, I understand the politics, and

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1237 this probably won't be the last time we hear that narrative  
1238 as it goes along this year.

1239 That said, thanks, Chairman Bilirakis, for calling  
1240 today's important hearing. Ensuring American businesses and  
1241 innovators can keep our competitive edge against China is an  
1242 extremely important issue, and we must facilitate U.S.  
1243 leadership in new technologies and ideas.

1244 One industry in which the U.S. has been a leader but is  
1245 in danger of being passed internationally, particularly by  
1246 China, is that of autonomous vehicles. I strongly believe in  
1247 the potential of this technology. Last Congress, I co-lead  
1248 legislation to study crash avoidance systems to help make AVs  
1249 safer for all road users, and I led a letter asking NHTSA to  
1250 update safety standards for AVs, and continue to advocate --  
1251 continue advocating for a national regulatory framework for  
1252 AVs.

1253 So, Ms. Sacks, I have a question for you. I foresee a  
1254 world in which the Federal Government may eventually procure  
1255 AVs for certain types of vehicle fleets, and want to be  
1256 certain that, if that happens, those vehicle fleets are  
1257 protected from Chinese data collection and storage. Do you  
1258 have any recommendations on how we could prevent



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1259 technological vulnerabilities in such AVs or in AVs in  
1260 general?

1261           \*Ms. Sacks. I will defer to my colleague who is an AV  
1262 expert, but I can speak to the broader question of how we  
1263 protect the broader tech stack, and I think this is an area  
1264 that is bigger than China, right? There are best practices  
1265 for accessing -- for assuring hardware security in products,  
1266 regardless of whether you are talking about a counterfeit,  
1267 whether you are talking about a component that is made in  
1268 China. And the same goes for building cybersecurity at the  
1269 software level, where the U.S. Government does have standards  
1270 around that.

1271           So again, I would encourage the committee to think about  
1272 this in -- bigger than any single country, and we need to  
1273 also invest and incentivize it ourselves, and play to our own  
1274 strengths. But I defer to my AV expert colleague for  
1275 specific --

1276           \*Mr. Bucshon. Yes, I just want to agree with you real  
1277 quickly -- and then we will go on to Mr. Farrah -- about not  
1278 a single country strategy. We want America to be competitive  
1279 against our competitors, some of which don't like us and many  
1280 of which do.

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1281           So, Mr. Farrah, do you want to comment on the AV -- the  
1282 cybersecurity and hardware security in AVs?

1283           \*Mr. Farrah. I would like to. But first, sir, I would  
1284 like to thank you for your leadership on autonomous vehicles  
1285 in previous congresses, and look forward to the conversation  
1286 continuing.

1287           I think, from our perspective, cybersecurity is very  
1288 important. Obviously, our industry is very motivated to make  
1289 sure that the vehicles are kept safe, that those riding in  
1290 the vehicles are also kept safe.

1291           And so this is something where there are obviously cyber  
1292 threats out there. We support a risk-based approach where we  
1293 can take a comprehensive view, and look at how it is that we  
1294 can best protect American equities. This is something where,  
1295 obviously, the AV industry would like to be at the table on  
1296 that. But at the same time, we are not different in many  
1297 respects. I think there are many in the automotive sector,  
1298 the technology sector that need to be at the table so we can  
1299 kind of get a comprehensive approach.

1300           \*Mr. Bucshon. Yes, and I would say in the AV space, you  
1301 know, it is not just foreign actors, that, you know,  
1302 cybersecurity is critically important because if you just

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1303 have somebody stand on the side of the road and -- hacks into  
1304 someone's -- an AV and diverts it off the road, you know,  
1305 that is a problem. So this is -- you know, this is an issue  
1306 that we will have to address.

1307 Another possible area where I have some concern is the  
1308 CCP's improperly accessing America's data through the CCP's  
1309 new Blockchain-based Service Network, or BSN. BSN has been  
1310 advertised as a one-stop shop blockchain foundation which  
1311 others can easily build on top of. While the last few years  
1312 have shown how prevalent scams and frauds are in NFTs and  
1313 other blockchain applications, something our committee must  
1314 work to address, we cannot allow the CCP or other actors or  
1315 anyone else to corrupt America's infrastructure once again.

1316 So Ms. Sacks, you have written a lot about protecting  
1317 America's privacy information from the CCP. What dangers do  
1318 you see in adopting a CCC [sic]-created foundation for  
1319 blockchains? And can we secure America's information if we  
1320 allow other actors' components into our tech stack?

1321 And we only have a few seconds, so --

1322 \*Ms. Sacks. I would be happy to submit some more --

1323 \*Mr. Bucshon. That would be great. Thank you very  
1324 much.

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1325           \*Mr. Walberg. I thank the gentleman for yielding, and  
1326 now I recognize the gentlelady from Florida, Representative  
1327 Castor.

1328           \*Ms. Castor. Thank you, Mr. Chairman. And thanks to  
1329 our witnesses for your testimony today, and welcome to the  
1330 new members.

1331           And I do want to say at the outset here at our first  
1332 hearing it is especially important for this subcommittee to  
1333 get to work on comprehensive privacy protections sooner,  
1334 rather than later. And I hope this will include the long-  
1335 overdue protections for children and teens online. Their  
1336 safety is at risk. They are being constantly surveilled and  
1337 targeted with ads. It is weighing on them, in addition to  
1338 all of the fundamental security issues that put them at risk.

1339           But I want to talk a little bit about AVs -- EVs,  
1340 because we are also suffering the costly impacts of the  
1341 climate crisis. It is -- those costs are weighing on our  
1342 neighbors back home, on farmers, on the Federal budget as  
1343 extreme events continue to escalate.

1344           But it also provides an important opportunity. The race  
1345 for cleaner, cheaper energy provides opportunities for  
1346 American workers and American businesses. The transportation

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1347 sector is the largest source of greenhouse gas pollution in  
1348 the United States.

1349 But -- and I know Representative Dingell will agree with  
1350 me that electric cars and trucks offer an innovative  
1351 solution. We want American companies and workers to win the  
1352 race for the future, but we are behind right now. That is  
1353 one of the reasons that we devoted so much attention to -- in  
1354 the Inflation Reduction Act, new incentives for American-  
1355 built cars and trucks, electric vehicles, and the Bipartisan  
1356 Infrastructure Law. We dedicated about \$7.5 billion for  
1357 electric vehicle chargers.

1358 So, Mr. Farrah, how do you see that investment going so  
1359 far for the electric vehicle charging across America, and  
1360 what are your hopes in that area?

1361 \*Mr. Farrah. Thank you very much for the question. I  
1362 would just note that Florida has been a leader nationwide on  
1363 AV deployment, and that is something I would love to discuss  
1364 in greater detail with you.

1365 Relevant to the Inflation Reduction Act, that is  
1366 something that -- our organization was not involved in that  
1367 legislation, does not have a position specifically on the  
1368 bill.

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1369 I will say, however, that if you look out at the  
1370 landscape of autonomous vehicles, many of them are electric  
1371 vehicles, and that is something that will hopefully lead to a  
1372 generational shift towards electric vehicles. We think we  
1373 can be of assistance in that regard.

1374 \*Ms. Castor. Are you plugged in to the charging  
1375 infrastructure, the planning that is going on at DoT and at  
1376 the state level?

1377 \*Mr. Farrah. We can give you an industry-wide view of  
1378 that, to what degree we are plugged in to that. And that is  
1379 something that I think we value sharing the perspective.

1380 But the final point I would just make is that, even for  
1381 those AVs that are not electric vehicles, you also have a  
1382 number of environmental benefits in terms of smoother  
1383 driving, less idling, the ability to operate at night, and  
1384 things of that sort.

1385 \*Ms. Castor. Well, we have some challenges, because in  
1386 2018 Chinese production accounted for more than half of all  
1387 lithium battery cell manufacturing capacity and nearly half  
1388 of all global EV sales, while the United States, we were --  
1389 EV sales are just really starting to take off.

1390 Congressional Democrats and the Biden Administration

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1391 have really focused on this. And the Inflation Reduction Act  
1392 is going to provide that relief and those incentives to  
1393 consumers, and then to the manufacturers, and to the workers.

1394 Mr. Jarsulic, why is it important for the United States  
1395 to lead the world when it comes to electric vehicles' design,  
1396 production, and deployment?

1397 \*Mr. Jarsulic. You know, I think it is pretty clear  
1398 that because of the risk created by carbon emissions, the  
1399 world is going to move away from internal combustion engines  
1400 in autos, trucks, busses. And if our auto companies are  
1401 going to remain competitive, they are going to have to  
1402 produce EVs.

1403 There is a lot of employment and output associated with  
1404 this. The auto industry comprises about 3 percent of GDP.  
1405 And if the U.S. successfully transitions to the manufacturing  
1406 of EVs, that kind of employment and income doesn't vanish.

1407 I think it is also important to remember that new  
1408 techniques are being developed in the production of EVs. And  
1409 if you want to learn techniques in manufacturing, you have to  
1410 engage in learning by doing. So the sooner we can make the  
1411 transition to producing EVs at scale, the sooner our  
1412 manufacturers can join in that process of learning by doing,

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1413 and push the frontier forward, and improve their competitive  
1414 condition.

1415 \*Ms. Castor. We want to win the future. We want to  
1416 build those EVs in America and supply them to the world, and  
1417 at the same time create millions of good-paying jobs all  
1418 across the supply chain. So thank you.

1419 I will yield back.

1420 \*Mr. Walberg. I thank the gentlelady, and I certainly  
1421 agree. We want to lead the world.

1422 I also want to make sure that it is clear that, as our  
1423 chair indicated, Republicans on this committee are fully  
1424 committed to passing a comprehensive Federal privacy and data  
1425 security standard. We are committed to that.

1426 Let me also state before I recognize myself for my five  
1427 minutes that -- just to make it clear, and as respectfully as  
1428 I can -- Democrats are the only ones anywhere talking about  
1429 cuts to Social Security or Medicare, or defaulting on the  
1430 debt. That is clear, what has been stated.

1431 Let me go to my five minutes of questioning, and thank  
1432 you to the panel for being here.

1433 China is actively using U.S. customer data to better  
1434 develop their artificial intelligence, whether through mining



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1435 and scraping purchasing data or third parties, or through  
1436 apps like TikTok sharing information with the Chinese  
1437 Communist Party.

1438           Mr. Pugh, at a time when Republicans and Democrats agree  
1439 that AI is a national security economic imperative, shouldn't  
1440 we be more cognizant of the amount of data we are making  
1441 available to our adversaries?

1442           And secondly, what steps can we take to prevent U.S.  
1443 data from being accessed by the CCP?

1444           \*Mr. Pugh. Well, thank you, Congressman. So data in  
1445 itself is essential. We need it for our economy and we need  
1446 it for innovation.

1447           To your point, the issue is when it falls in the hands  
1448 of adversary nations and malicious actors, which we see  
1449 happening on a second-by-second basis with China,  
1450 unfortunately. And that is something that I really implore  
1451 this Congress to address. And I think the best way to do  
1452 that is by acting on a comprehensive data privacy and  
1453 security law today.

1454           Why it would benefit consumers and industry? The  
1455 security nexus cannot be under -- you know, overstated. And  
1456 what I mean by that is just one aspect. This contains data

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1457 security provisions. It would require data to be  
1458 safeguarded. And if that actor chose not to follow that,  
1459 then there could be enforcement as a result.

1460 \*Mr. Walberg. Okay. Thank you.

1461 Michigan, my state, is the Motor State. Representative  
1462 Dingell and I would certainly agree strongly on that. It is  
1463 the Motor State, and I want it to stay that way, and expand,  
1464 in fact. But China continues to push forward on autonomous  
1465 vehicle development and deployment. I think a roadblock to  
1466 U.S. leadership in this space is consumer comfort, consumer  
1467 comfort with the whole issue.

1468 I myself have expressed concerns about how autonomous  
1469 vehicles handle the safety of pedestrians, motorcycles. I am  
1470 a motorcyclist. I am very concerned that we do this right,  
1471 and more.

1472 Mr. Farrah, I noticed you didn't use "self driving,"  
1473 and I thank you. I thank you because there is a auto  
1474 company, at least one, that has used that, sold cars on it,  
1475 and they don't self-drive. Driver-assisted, all of that, we  
1476 are there, and it is working well in most cases. And I think  
1477 we ought to hold off on using that term, "self driving," for  
1478 a while until we get it right.

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1479           How are your members approaching public education about  
1480 the safety of autonomous vehicles so that the United States  
1481 can continue to lead on this important technology?

1482           \*Mr. Farrah. Thank you very much, Congressman. I  
1483 appreciate the question. And thank you for your previous  
1484 leadership on the SELF DRIVE Act and the dialogue we have had  
1485 around some of your safety concerns.

1486           \*Mr. Walberg. And I hated that title.

1487           \*Mr. Farrah. I should note at the outset, though, that  
1488 we acknowledge that public consideration of autonomous  
1489 vehicles is very important, and our industry is doing a  
1490 considerable amount to get out and talk to the American  
1491 public because your constituents are going to increasingly be  
1492 seeing these vehicles on the roads, whether they are  
1493 delivering groceries, taking them to destinations, trucks  
1494 driving on the highway. It is important that people  
1495 understand why these are safer than the alternative. So that  
1496 is something that we take seriously. We have a number of  
1497 initiatives that we can talk about in further detail.

1498           I think one issue that I want to address, though, that  
1499 you got at here is a lot of the confusion around driver-  
1500 assist technology, as compared to autonomous vehicles.

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1501           \*Mr. Walberg. Autonomous.

1502           \*Mr. Farrah. That is something that is absolutely  
1503 critical, that people who are in the vehicle understand what  
1504 they need to be doing. If they are required to perform any  
1505 aspect of the driving task, they are in a driver-assist  
1506 vehicle.

1507           Secretary Buttigieg said it very clearly: "If you can  
1508 buy it in the showroom today, it is not an autonomous  
1509 vehicle.'" That is important. Our industry is very clear in  
1510 the language that we use, and we appreciate your attention.

1511           \*Mr. Walberg. And it will give much more comfort as we  
1512 keep that clear. So thank you.

1513           Today we have smart phones, smart light bulbs,  
1514 refrigerators, everything. Though these sensors are working  
1515 to a great degree, we still have challenges. While the  
1516 United States has been taking steps to remove Huawei and  
1517 secure our networks that are involved with many of these  
1518 things, Tuya has slid under the radar.

1519           I have an article by Klon Kitchen and Hal Brands which  
1520 outlines the dangers Tuya poses that I would like unanimous  
1521 consent to enter into the record.

1522           Hearing none, it will be entered.

**This is an unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker.**

1523 [The information follows:]

1524

1525 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

1526

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1527           \*Mr. Walberg. Mr. Pugh, how can we secure our network  
1528 if the smart devices we rely on are compromised by design?

1529           \*Mr. Pugh. So, Congressman, you are right. This is a  
1530 critical issue. We rely on IoT devices on a daily basis, and  
1531 the number of devices by 2030 are supposed to be 29-plus  
1532 billion.

1533           The issue is we don't have a baseline for our IoT  
1534 devices. So that is a great starting point, seeing -- is  
1535 there a baseline that these device manufacturers should be  
1536 meeting?

1537           Secondly, making more of them in America. I have more  
1538 faith in American companies that do privacy and security-  
1539 enhancing things than I do with a CCP-backed company.

1540           \*Mr. Walberg. Thank you. I yield back. I recognize  
1541 now my good friend and colleague from Michigan,  
1542 Representative Dingell.

1543           \*Mrs. Dingell. Thank you, Mr. Chairman. As my  
1544 Democratic colleagues have pointed out today, I do believe  
1545 that we made some steps in the last -- Democrats made some  
1546 progress in enacting serious and significant legislation to  
1547 strengthen our competitive edge on the world stage. But we  
1548 all know that there is so much work we need to do to solidify

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1549 our long-term economic might and define our national  
1550 competitive advantage with countries like China.

1551 I associate myself with many of the comments that have  
1552 been already made, and I am very grateful to hear so many  
1553 people talk about autonomous vehicles and the need to do  
1554 something, because we don't always hear that.

1555 Electric vehicles are also critical in all of this, and  
1556 further mitigating risks from U.S. supply chains in bringing  
1557 them back, and I have five minutes and could talk for five  
1558 hours or more. But let me move to AVs quickly.

1559 Cutting-edge technologies like autonomous vehicles hold  
1560 the promise of improving safety, expanding mobility, and  
1561 strengthening our economy. The moment -- and it is only at  
1562 the moment, as you and I know -- we hold a competitive edge  
1563 in developing and deploying AVs. According to KPMG, the  
1564 United States ranks higher in preparedness for AVs than  
1565 Japan, Germany, and China.

1566 But here is the reality: We have got to preserve and  
1567 expand this advantage by ensuring that the United States, not  
1568 countries like China, write the rules of the road for this  
1569 new transformative technology. That is why I have spent  
1570 years collaborating with my colleagues and the stakeholders

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1571 to establish that national framework. I know that, under the  
1572 Republican leadership with my -- we are going to get it done  
1573 this year, or this Congress. I guess I should be realistic.

1574 But here is our truth: autonomous vehicles are here,  
1575 and every day we do not have a Federal framework in place for  
1576 the safe deployment of AVs we are risking falling behind the  
1577 rest of the world. China gets what is at stake. If the  
1578 United States is going to stay at the forefront of innovation  
1579 in AV technology, keep those jobs here in this country, not  
1580 cede leadership to any other country. We have got to get  
1581 motivated and act.

1582 So, Mr. Farrah, how can lawmakers and regulators lay the  
1583 foundation for the continued development and deployment of AV  
1584 technology to ensure the future of this technology stays in  
1585 the United States?

1586 \*Mr. Farrah. Representative Dingell, thank you very  
1587 much. And I share your passion for AVs, and specifically  
1588 around the safety and mobility benefits that we have spoken  
1589 about in the past. And so this is something that I think --  
1590 we are talking about, literally, transforming how it is  
1591 people and goods move around this world, and that is  
1592 tremendous.



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1593           And so we are very hopeful to work with this  
1594 subcommittee this Congress, hopefully this year, to pass AV  
1595 legislation that would set up that framework. There is also,  
1596 frankly, work that needs to be done at the agencies, as well,  
1597 in terms of updating a system that is many decades old.

1598           In terms of legislation, there is a number of issues  
1599 that I detail in my written testimony. A few of them that  
1600 are worth flagging here is that we have a outdated process as  
1601 it relates to the exemptions process for so-called novel  
1602 vehicles, where you -- this needs to be updated. This is  
1603 something that the committee has addressed before on a  
1604 bipartisan basis.

1605           We also need to make sure that certain rulemakings are  
1606 ultimately executed on and finished.

1607           And so these are things where we are very committed to  
1608 doing this, and certainly appreciate the opportunity to work  
1609 with you and your team.

1610           \*Mrs. Dingell. So I have a minute and 30, and I want to  
1611 get to supply chain. But could you very quickly tell the  
1612 committee how the absence of the Federal AV framework  
1613 affected the development -- is affecting every single day the  
1614 development in putting them on the road of autonomous

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1615 vehicles?

1616           \*Mr. Farrah. Absolutely. I would make two quick  
1617 points.

1618           I think the first one is that -- and I mentioned before  
1619 the exemptions process. There are U.S. companies that want  
1620 to be manufacturing these vehicles. They want to be  
1621 deploying these vehicles. But right now they are limited  
1622 under this exemptions for novel vehicles to 2,500 vehicles  
1623 per year for a maximum of 2 years. That is the wrong message  
1624 for the Federal Government to be sending to companies that  
1625 want to be producing these companies and ultimately  
1626 benefiting the United States.

1627           So that is something that I think needs to be addressed,  
1628 and it needs to be addressed very soon. And so that is  
1629 something that we can address in legislation, and I  
1630 appreciate your help.

1631           \*Mrs. Dingell. Thank you.

1632           Mr. Chairman, I am down to 33 seconds, sir. I am going  
1633 to want to put some questions in the record.

1634           [The information follows:]

1635

1636           \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

1637

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1638            \*Mrs. Dingell. But I do want to focus on strengthening  
1639 the U.S. supply chains. I think most people don't realize  
1640 how vulnerable we left ourselves from both an economic and  
1641 national security issue until the COVID-19 public health  
1642 crisis hit. And we saw that the private sector alone cannot  
1643 identify, monitor, and address supply chain vulnerabilities.

1644            You know, we are so dependent upon China for the  
1645 electric vehicles that you are talking about. Most people do  
1646 not understand. Lithium has gone up \$1,500 in the last 6  
1647 months, and a battery -- EVs are -- I mean, we got to develop  
1648 our supply here. We have got to work on that.

1649            I am a proud author of the Supply Chain Security and  
1650 Resilience Act. I am going to ask you, Mr. Jarsulic for the  
1651 record -- and some other questions -- what are some best  
1652 practices to help us improve our nation's supply chain  
1653 resilience. I am over. You are going to have to write the  
1654 answers to this, what can -- there is just so many issues  
1655 that all of you can answer.

1656            This is the future of our country. Thank you. I yield  
1657 back the seconds I don't have.

1658            \*Mr. Walberg. I thank the gentlelady.

1659            [Audio malfunction.]

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1660           \*Mr. Walberg. This proves that -- I don't know if  
1661 somebody else has a -- yes, that would work better.

1662           So thank you for yielding back. Now I recognize the  
1663 gentleman from South Carolina.

1664           \*Mr. Duncan. Thank you. Thank you, Mr. Chairman. I  
1665 wonder if Michigan is the Mitten State or the Motor State. I  
1666 am confused on that, but --

1667           \*Mr. Walberg. It is both.

1668           \*Mr. Duncan. Okay. I want to applaud what is going on  
1669 in South Carolina with BMW, Volvo, and Mercedes, and what  
1670 they are doing with the EVs, along with other vehicle  
1671 manufacturing.

1672           [Audio malfunction.]

1673           \*Mr. Duncan. And I apologize for this sound.

1674           But I want to remind my colleagues on the other side of  
1675 the aisle that we are \$31 trillion in debt, and we are  
1676 spending money that is borrowed. I say that because what is  
1677 the role of government in subsidizing our funding these type  
1678 of things. I point to government spending on Cash for  
1679 Clunkers. It was a failed program at the initial -- on the  
1680 onset, the Obamacare rollout, the problems that it had.

1681           I believe in innovation at the private sector level. I

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1682 think myself that we have more machinery of government than  
1683 is necessary, too many parasites living on the labor of the  
1684 industrious. A government big enough to supply everything  
1685 you need is big enough to take everything you have.

1686         The course of history shows that, as the government  
1687 grows, liberty decreases. That was a founding father, Thomas  
1688 Jefferson, that quoted that.

1689         Liberty is the liberty to innovate and invent, and  
1690 capitalize off the profits of that innovation.

1691         I am fascinated with AVs. I think the appropriate  
1692 initial step is what I see happening in the trucking  
1693 industry: point-to-point delivery, oft times at night, with  
1694 commodities, distribution center to distribution center,  
1695 maybe local carriers. I think that is a way we can prove  
1696 that AV works, AV is safe, and I would love to see the  
1697 innovation within the trucking industry as the future of AVs  
1698 before we entrust that to the populace to get in an AV that  
1699 maybe is driverless -- I know we are not using that term --  
1700 in the future. But I do see that as the wave of the future,  
1701 both in trucking and passenger vehicles.

1702         So I want to shift gears a little bit, and Ms. Sacks,  
1703 while the U.S. banned Huawei from building 5G infrastructure,

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1704 Chinese state-owned automotive companies like AutoX and  
1705 Pony.ai continue to operate pilot programs in the United  
1706 States with limited oversight. What types of information  
1707 these companies collect that could pose a national security  
1708 risk if shared with the foreign adversaries that could  
1709 exploit such information?

1710 \*Ms. Sacks. So AV companies collect, like, many  
1711 different kinds of data. And Mr. Farrah might be able to  
1712 comment in more depth on what that is. I am not familiar  
1713 with these specific companies.

1714 I can say, more broadly, from understanding, you know,  
1715 how the industry works from a data security standpoint, I  
1716 think that there is not only potentially information about  
1717 the infrastructure, the mapping, but I would also sort of  
1718 push back and say, you know, are they collecting information  
1719 about mapping and streets that is any different from what you  
1720 might find on Google Maps or that is available openly?

1721 So there are different kinds of data. And so one  
1722 question might be what kinds of data are they collecting and  
1723 what are the -- who has access to it. And I would ask that  
1724 not just for these particular companies of Chinese ownership,  
1725 but any AV company more broadly, and what are the data

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1726 security practices.

1727           You know, the point that I have made in this hearing  
1728 repeatedly is that we should focus on -- certain kinds of  
1729 data have different levels of sensitivity. Who has access to  
1730 it, how is that being secured, rather than necessarily  
1731 looking at a sort of country of origin or nationality when  
1732 that data might be openly available on the commercial market  
1733 in other forms.

1734           \*Mr. Duncan. Yes, I think that is strong.

1735           I am not concerned about this, I am just stating this  
1736 for the record: Uber already has -- if I use an Uber to go  
1737 to Walmart, they know how many times I went to Walmart, or  
1738 that I ate fast food. Now, what -- who collects that  
1739 information, how it is shared with others about my traveling  
1740 habits, my shopping habits, my eating habits, and I think  
1741 that is a concern of many Americans, what AVs will collect as  
1742 you travel around.

1743           Mr. Farrah, as a follow-up to that question, it has  
1744 become abundantly clear that Chinese-owned companies are  
1745 testing the U.S. and sending information they collect back  
1746 home. However, if an American company were to test their AVs  
1747 in China, they would not be able to send that information

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1748 back home. Is that correct?

1749 \*Mr. Farrah. Thank you very much for the question.

1750 First of all, I note -- and thank you for the  
1751 appreciation for AV trucking, which is a very exciting trend  
1752 line in our industry.

1753 I think that market access overseas is a big concern,  
1754 generally speaking, for our industry. We want to make sure  
1755 that, as these companies scale and grow, that they have  
1756 access to those markets. And so my understanding is that is  
1757 a huge consideration in a place like China, where we don't  
1758 have that same level of reciprocity, and I would certainly be  
1759 happy to dialogue with you and your team further about that.

1760 \*Mr. Duncan. Absolutely. There is going to be a lot of  
1761 hearings on this type stuff, and I look forward to that  
1762 conversation.

1763 And with that I yield back.

1764 \*Mr. Bilirakis. [Presiding] Thank you. Now the chair  
1765 recognizes Representative Blunt Rochester for her five  
1766 minutes.

1767 \*Ms. Blunt Rochester. Thank you, Mr. Chairman, and  
1768 congratulations, as well. And thank you also to  
1769 Representative Kelly and to the witnesses.



**This is an unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker.**

1770 I agree with my Republican colleagues that U.S.  
1771 economic competition is the issue of the moment. Businesses  
1772 and working people up and down my state of Delaware report  
1773 severe supply chain issues that hamper their businesses and  
1774 livelihoods. U.S. manufacturing has declined in recent  
1775 decades, and with it so has the resilience of critical supply  
1776 chains. My colleagues across the aisle are right: U.S.  
1777 leadership over standards and regulation are important.

1778 But U.S. leadership is just a means, not an end in  
1779 itself. Ultimately, American families are counting on us to  
1780 improve their economic opportunities. Talk alone will not  
1781 create good-paying jobs that American families need. This  
1782 moment demands all of us come together in a comprehensive,  
1783 credible, and resourced strategy.

1784 This week my colleagues and I will meet the moment by  
1785 introducing comprehensive legislation to build resilient  
1786 supply chains that ensure we can compete with China, Russia,  
1787 or any adversary that intends to undermine our economic and  
1788 national security.

1789 I hope my Republican and Democratic colleagues will join  
1790 me on these bills. These measures invest in the central  
1791 pillar of the U.S. competitiveness by investing in critical

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1792 supply chains. They are also endorsed by over 150 businesses  
1793 and trade associations, including the Information Technology  
1794 Industry Council, Consumer Brands Association, National  
1795 Association of Manufacturers, and the Motor Equipment  
1796 Manufacturers Association.

1797 Mr. Chairman, I ask unanimous consent to insert a letter  
1798 and its appendix into the record.

1799 \*Mr. Bilirakis. Without objection, so ordered.

1800 [The information follows:]

1801

1802 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

1803

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1804           \*Ms. Blunt Rochester. This is a transformational  
1805 policy. And as we saw with ADPPA and with the CHIPS and  
1806 Science Act, this committee knows transformational policy is  
1807 necessary to solve the issues hindering economic growth.

1808           Mr. Jarsulic, to reverse the declines in U.S.  
1809 manufacturing, should we take a whole-of-government and whole  
1810 -of-economy approach and incentivize reshoring of  
1811 manufacturing? And does that include investments in  
1812 production practices and workforce programs?

1813           \*Mr. Jarsulic. As I indicated in my testimony,  
1814 competitiveness in manufacturing really is a source of  
1815 productivity growth, and productivity growth is necessary for  
1816 growth in wages and profits. We really need that.

1817           And therefore, what you can do -- what we can do through  
1818 policy to strengthen manufacturing and strengthen its  
1819 competitiveness has real economic importance.

1820           I think that the elements that are in the three acts I  
1821 talked about, which are designed to overcome obstacles to  
1822 private investment and to productivity growth in important  
1823 areas ranging from semiconductors to biopharma, are going to  
1824 make an enormous contribution. But I think there is much  
1825 more that can be done.

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1826           People who look at advanced manufacturing recognize  
1827 that, in addition to large corporations who are making  
1828 investments, those corporations need to have the support of  
1829 clusters of small and medium-sized enterprises who provide  
1830 inputs and services to those corporations. And so work that  
1831 can be done to bring those SMEs to the technical frontier and  
1832 allow them to participate in advanced manufacturing is really  
1833 important. There is -- a lot of that is embedded especially  
1834 in the CHIPS Act. More can be done.

1835           \*Ms. Blunt Rochester. You mentioned the CHIPS Act and  
1836 you also mentioned the semiconductors. And I think that is  
1837 an example of us failing to evolve fast enough. Can you  
1838 share with us any examples of industries or products that are  
1839 at risk of falling behind unless we make these significant  
1840 investments?

1841           \*Mr. Jarsulic. Well, we have talked a lot about EVs  
1842 here, and I think it is very clear that some of the inputs  
1843 necessary for the expansion of that industry really need to  
1844 be looked at carefully. For example, batteries depend on  
1845 certain kinds of critical minerals: lithium, cobalt, nickel.  
1846 And the supplies of those materials are not necessarily  
1847 available in ways that could be secure or economically viable

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1848 for us. For example, I think -- oh, sorry.

1849 \*Ms. Blunt Rochester. Sorry, my time has expired. But  
1850 I will follow up with you, because I want to follow up on the  
1851 issue of not just the raw materials, but also there is a  
1852 report from the Center for Strategic and International  
1853 Studies that speaks also to our national security risk, as  
1854 well, which I would also like to enter into the record, Mr.  
1855 Chairman.

1856 \*Mr. Bilirakis. Very good.

1857 \*Ms. Blunt Rochester. Thank you, and I yield back.

1858 \*Mr. Bilirakis. Without objection, so ordered.

1859 [The information follows:]

1860

1861 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

1862

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1863           \*Mr. Bilirakis. We have my good friend from the great  
1864 state of Florida, Mr. Dunn, please.

1865           Dr. Dunn.

1866           \*Mr. Dunn. Thank you. Thank you very much, Mr. Chair.  
1867 It is a great state, too, by the way.

1868           As we are all aware, in December the Chinese Communist  
1869 Party issued its 14th 5-year plan outlining China's ambitions  
1870 to become the global leader in the digital economy by 2025.  
1871 In order to protect our private data and independence from  
1872 the Chinese Communist Party, we have to focus on nearshoring  
1873 and friendshoring our supply chains in conjunction with fair  
1874 trade deals.

1875           We have to expose the CCP's pattern of commercial  
1876 aggression against America and our allies. You know,  
1877 examples abounded during the pandemic of massive impact on  
1878 supply chains. But for example, in the medical world we  
1879 imported billions of dollars' worth of drugs and APIs from  
1880 China annually. And this dependance on China is a national  
1881 security concern.

1882           I look forward to working with this committee and my  
1883 colleagues and my colleagues on the China Select Committee to  
1884 enact policies that will bring critical supply chains back to

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1885 the U.S. and to trusted allies to help free us all from  
1886 Dependence on China for critical commodities and  
1887 pharmaceuticals.

1888 Mr. Pugh, first question. I agree with your statements  
1889 that data privacy and security are vital to consumers and  
1890 industry. Understanding that the CCP has repeatedly  
1891 compromised our data, and that the ADPPA from the last  
1892 Congress was a good first step in combating this data  
1893 gathering, can you please speak to the seriousness of  
1894 delaying that legislation?

1895 \*Mr. Pugh. Well, thank you, Congressman. That is a  
1896 phenomenal point, and every day we wait -- or every second we  
1897 wait, I should say -- is just the more data that the Chinese  
1898 Government, the CCP, is collecting and potentially exploiting  
1899 against Americans.

1900 I mean, we see their collection happening in the United  
1901 States, outside the United States but still directed at  
1902 Americans, and then we can't diminish the fact that they  
1903 continue to just steal and even sometimes buy it. And that  
1904 can, unfortunately, be used to target both intelligence  
1905 professionals, those in the military, children. So I think  
1906 it is just paramount that this is the key priority, and is

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1907 done without delay.

1908 \*Mr. Dunn. Are there specific pro-growth policies you  
1909 would like to see from America?

1910 \*Mr. Pugh. I think one of the best policies would be,  
1911 first, acting on the comprehensive data privacy and security  
1912 law. And I think one of the benefits of ADPPA was the intent  
1913 of trying to get at the fact that not all companies are the  
1914 same, is that we need to take into account that small and  
1915 medium-sized businesses have different needs and different  
1916 capabilities than our largest international players. Not to  
1917 say they -- they all may not have privacy risks, but a mom-  
1918 and-pop business on Main Street cannot comply in the same way  
1919 that -- or no have the same risk.

1920 So I do think that is something that we should act on  
1921 now, a comprehensive law, and vary the -- some of the  
1922 provisions.

1923 \*Mr. Dunn. Thank you for your reasonable approach to  
1924 that.

1925 Ms. Sacks, you commented on the importance of a multi-  
1926 country approach for creating a network of trusted trading  
1927 partners in which we lower barriers to trade in order to  
1928 create resilient, reliable allied supply chain. This makes



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1929 so much sense. Can you expand on that issue, and perhaps say  
1930 which allies, which partners we should be working on first?

1931 \*Ms. Sacks. Well, perhaps I will highlight a number of  
1932 initiatives that are underway which are really positive steps  
1933 in this direction.

1934 So I mentioned Global CBPRs, which is an expansion of  
1935 the Asia Pacific-based framework. In addition, the OECD  
1936 recently issued a set of principles around government access  
1937 to data which would facilitate more data flows among OEC  
1938 [sic] members, and the Japanese Government under former Prime  
1939 Minister Shinzo Abe had put forward the data free flows with  
1940 trust concept, which again is this idea to encourage a  
1941 coalition of allies and partners to share data, but with  
1942 certain safeguards in place.

1943 What does that look like, and what does that mean in  
1944 practice is a question that I think experts are actively  
1945 debating. And this spring at the Hiroshima summit, my  
1946 understanding is there may be further movement there. So  
1947 these are all important initiatives, and definitely merit  
1948 further attention.

1949 \*Mr. Dunn. Well, I -- thank you for your words. And I  
1950 will tell you I sit on the economics committee of NATO, as

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1951 well as these other things, and it is a common theme among  
1952 our NATO allies that -- you know, to friendshore trade. And  
1953 so I hope we can find a way to work our way through these  
1954 trade barriers that we have erected to each other. And this  
1955 is all -- this is like friendly fire when we are in NATO.

1956         So thank you very much for -- the entire panel, a very  
1957 erudite group.

1958         I yield back.

1959         \*Mr. Bilirakis. I appreciate it very much, Doctor.  
1960 Okay. Now we will recognize Representative Kelly for her  
1961 five minutes.

1962         \*Ms. Kelly. Thank you, Mr. Chair, and thank you to the  
1963 witnesses.

1964         During a time of crisis the United States relies on its  
1965 manufacturing base to withstand economic disruptions and  
1966 respond to national emergencies. But the COVID-19 public  
1967 health crisis exposed, as you know, serious gaps in our  
1968 critical manufacturing supply chains that harmed our efforts  
1969 to combat COVID-19, crippling shortages of N95 masks, gowns,  
1970 surgical apparel, gloves, and testing supplies. The  
1971 shortages were so severe that nurses substituted trash bags  
1972 for gowns, doctors wore modified snorkels as masks, and

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1973 essential medical personnel reused single-use N95 masks for  
1974 days on end.

1975           These crippling shortages contributed to the spread of  
1976 the disease, causing preventable illnesses, hospitalizations,  
1977 and death. Our health care system neared overload. Our  
1978 health care heroes were placed under enormous strain. And  
1979 the U.S. domestic manufacturing base was incapable of meeting  
1980 the surging demand for critical health care equipment.  
1981 Instead, hospitals and consumers turned to overseas fly-by-  
1982 night brokers and opportunists selling standard PPE.

1983           Last Congress, when the Democrats were in the majority,  
1984 we made meaningful strides to strengthen our global economic  
1985 landscape to ensure our competitors like China don't leave us  
1986 competitively disadvantaged. Just one example is the America  
1987 COMPETES Act, which would have invested 46 billion for a  
1988 whole-of-government approach to monitoring and supporting  
1989 critical manufacturing supply chains instrumental to our  
1990 economic welfare and national security.

1991           Unfortunately, that provision did not become law last  
1992 term, but I am hopeful that we can get meaningful supply  
1993 chain legislation over the finish line this Congress.

1994           Mr. Jarsulic, in your written testimony you discuss the

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1995 importance of supply chain resilience and, specifically, how  
1996 important elements of the supply chain are subject to events  
1997 in other countries and can, therefore, be subject to Chinese  
1998 Government interference. How severe is the threat, and why  
1999 hasn't the private sector been able to proactively identify  
2000 and address such supply chain vulnerabilities?

2001           \*Mr. Jarsulic. Well, I think we have seen multiple  
2002 instances where significant gaps in the supply chain manifest  
2003 themselves to -- and produce significant economic impacts. A  
2004 salient example which I talk about is the shortage of chips  
2005 for manufacturing autos. The production of autos in physical  
2006 terms was down, like, 40 percent, relative to the pre-crisis  
2007 level, just because the chips that are needed to make those  
2008 autos run weren't available.

2009           There are lots of other examples where shortages were  
2010 revealed in the crisis -- are not here, they are manufactured  
2011 elsewhere, and the ability to access them was stressed during  
2012 that period.

2013           I think that it is quite important to take a systematic  
2014 view of the places where there are potential risks. The  
2015 incentives for individual corporations to meet risks beyond  
2016 their own business needs are not necessarily there. And

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2017 where those systemic risks are identified, steps can be taken  
2018 to anticipate potential problems. There are simple kinds of  
2019 things that could be done, you know, stockpiling of materials  
2020 that are needed, but there are analogies to other areas where  
2021 there are risks that might apply here.

2022 For example, in power generation many power authorities  
2023 commission the construction of residual generation capacity,  
2024 which corporations agree to bring online if there is a surge  
2025 in demand for power. So we might think about the production  
2026 of things that we really need, and might need in an  
2027 emergency, and find ways to build that kind of backup or  
2028 residual production capacity to prevent risks from becoming  
2029 significant problems.

2030 \*Ms. Kelly. And let me ask you this. Last Congress I  
2031 was proud to co-lead the bipartisan Supply Chain Act, which  
2032 would create an office of supply chain resiliency and crisis  
2033 response within the Department of Commerce to monitor supply  
2034 chains of critical goods and materials and plan for, as you  
2035 are saying -- respond to supply chain disruptions.

2036 Could supply chain resilience improve if the Federal  
2037 Government played more of an active role in monitoring  
2038 critical supply chains and identifying vulnerabilities?

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2039           \*Mr. Jarsulic. I think, you know, studying and  
2040 monitoring of these issues can make a very important  
2041 contribution. You don't know where the problems are until  
2042 you identify them.

2043           \*Ms. Kelly. Sure, and I yield back. Thank you.

2044           \*Mr. Bilirakis. Thank you. Thanks very much. And now  
2045 I will recognize the gentlelady from Arizona, my good friend,  
2046 Mrs. Lesko, for five minutes, please.

2047           \*Mrs. Lesko. Thank you, Mr. Chair. I am excited to  
2048 once again return to this subcommittee. It has such broad  
2049 jurisdiction, and it is great.

2050           I am very excited about the future of autonomous  
2051 vehicles. I have a huge senior citizen population in my  
2052 district, and I am already a senior citizen. I can still  
2053 drive, but there is going to be a point where I won't be able  
2054 to drive.

2055           And a lot of my constituents are having problems getting  
2056 to their doctors, getting to the grocery stores, and there is  
2057 not enough public transportation available for them. They  
2058 use the dial-a-ride, but they have to wait like a long time.  
2059 And, you know, they complain about it, right? So I think  
2060 this is a solution, and it is a solution for the blind, it is

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2061 a solution for disabled, and I am excited about it, quite  
2062 frankly.

2063 Now, I think you know that in Arizona, under our former  
2064 Republican governor, Doug Ducey, he was very excited about  
2065 autonomous vehicles, as well. And so we have several  
2066 companies that operate in Arizona. One of them is Waymo,  
2067 owned by Google. It is partnered with the Chinese automaker,  
2068 Geely. Waymo currently has a fleet of autonomous rides in  
2069 Phoenix.

2070 So I have a question for you, Mr. Pugh. Do you --  
2071 should I worry -- should we worry about the partnership with  
2072 a Chinese automobile company with autonomous vehicles as far  
2073 as will our data be secure or will the Chinese Communist  
2074 Party use it?

2075 \*Mr. Pugh. Well, thank you, Congresswoman. I am not as  
2076 familiar with that, the partnership that you referenced. But  
2077 what I can say at a high level is that, when the Chinese  
2078 government does have involvement with a company, it is  
2079 something we need to be very careful and mindful of, and  
2080 ensure that they are not collecting data, and ensure it is  
2081 not going back to the CCP.

2082 And then we also need to ensure what we are collecting

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2083 is safeguarded and secured. I think those two go hand in  
2084 hand, and you can't have privacy without security and vice  
2085 versa. So in that particular example I would -- I think we  
2086 need to make sure that the privacy and security is accounted  
2087 for.

2088 \*Mrs. Lesko. Thank you.

2089 And Mr. Farrah, how would you anticipate the global AV  
2090 supply chain to be set up if the U.S. continues to limit the  
2091 ability of the U.S. AV industry to develop here, while China  
2092 has the backing of an eager government?

2093 So, you know, I think of -- I remember California a  
2094 number of years ago. They wanted to shut down the AV  
2095 autonomous vehicle testing, and we picked up the slack in  
2096 Arizona. So how is that going to affect it, if we don't  
2097 change our policy here in the United States?

2098 \*Mr. Farrah. Well, first of all, I want to thank you  
2099 for your enthusiasm for autonomous vehicles. We, obviously,  
2100 share it. And your home state has been tremendous in terms  
2101 of a partnership. I think you detail one of our great member  
2102 companies, and there are others, as well.

2103 I think that the next point I would make here is that,  
2104 with regard to supply chain, autonomy has an amazing



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2105 contributing factor here as it relates to supply chain  
2106 challenges. I will just give you one example, which is  
2107 around autonomous trucking.

2108 We have a situation now in this country where we have a  
2109 truck driver shortage of nearly 80,000 truck drivers across  
2110 the country. That is going to double by 2031. And so  
2111 autonomous trucking really offers a solution, and I think it  
2112 gets to trying to alleviate the supply chain crisis that a  
2113 number of your colleagues have flagged today.

2114 And so that is something where -- I have been privileged  
2115 to ride in these autonomous trucks. I see the way in which  
2116 they are operating. They are viewing things, they are  
2117 responding to incidents on the road that a human could never  
2118 have a hope of being able to see. And so I think it is going  
2119 to lead to more safety for people on the roads, for truck  
2120 drivers, but better movement of goods.

2121 \*Mrs. Lesko. Well, I think so, too, because, you know,  
2122 as you said, what is it -- like, right now isn't the first  
2123 vehicle to have a driver, and it -- and then there is, like,  
2124 a caravan of other trucks that are autonomous and hooked up  
2125 to it? Tell me more about that.

2126 \*Mr. Farrah. Not so much a caravan, but there are -- so

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2127 different developers, obviously, are approaching this in  
2128 different ways. And there are situations where, in places  
2129 like your home state of Arizona, there are autonomous  
2130 vehicles that are operating without a human driver sitting in  
2131 the seat that can grab control of the wheel.

2132         There are other trucking examples where there is  
2133 development that is going on, and there is currently a driver  
2134 that is there in case. I have ridden in these autonomous  
2135 trucks myself, and there is -- they are entirely safe, and  
2136 they are operating now.

2137         And so it is really a diversity of approaches, but we  
2138 are very eager and pouring a lot of resources into trying to  
2139 get these out in the market in greater numbers.

2140         \*Mrs. Lesko. Well, great. And I am running out of  
2141 time, but I was just curious if, when you are answering  
2142 somebody else's questions, if you can tell me, any of you, if  
2143 you realize that security cameras that are made in China call  
2144 back -- if you are hooked up to the Internet, they call back  
2145 to China. And so a lot of the security cameras we use on our  
2146 homes are made in China. Just curious about that.

2147         Thank you, and I yield back.

2148         \*Mr. Bilirakis. Yes, let's take that question for the

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2149 record, please. That is so very important. Thanks for  
2150 bringing it up.

2151 Next we have my good friend from the State of Florida --  
2152 we have a lot of Floridians; that is a good thing, that is a  
2153 good thing on both sides of the aisle.

2154 So, Representative Soto, you are recognized for five  
2155 minutes.

2156 \*Mr. Soto. Thank you, Chairman. It -- Florida is in  
2157 the House.

2158 \*Mr. Bilirakis. That is right.

2159 \*Mr. Soto. First, I am happy to talk about our economic  
2160 future as the United States, as it goes vis a vis our  
2161 economic rivals, China.

2162 I want to take a moment to set the table for my  
2163 constituents. The U.S. GDP, our overall economy right now,  
2164 is first in the world at \$25 trillion. But definitely, China  
2165 is on our tail, right? Chinese GDP is \$18.32 trillion,  
2166 according to the IMF. When you look at our populations, we  
2167 are at a scrappy 334 million, according to the census, while  
2168 China's National Bureau of Statistics has them at 1.4  
2169 billion.

2170 So imagine. We are, pound for pound, the economic

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2171 powerhouse of the world. And if you feel like, as Americans,  
2172 you are working hard, well, it shows. We are the most  
2173 productive nation in the world per capita by far.

2174 Population growth is another interesting thing. Ours is  
2175 slowing down. We had a 0.4 percent increase in population  
2176 growth in 2022. The vast majority is from immigration,  
2177 actually, not even from natural population birth. So as we  
2178 are talking about immigration reform and the importance of  
2179 immigration, we would be declining in population if we didn't  
2180 actually have immigration. The Chinese, they are declining  
2181 in population: 850,000 population drop in 2022.

2182 So both of us face challenges and we are at a  
2183 crossroads. So when we come to the topic today of how  
2184 Americans compete to win the future, the good news is the  
2185 117th Congress was the most productive in 50 years.

2186 The infrastructure law to help us rebuild America.  
2187 There is a big headline in Florida about Governor DeSantis  
2188 proposing a \$7 billion Moving Florida Forward plan. Over 3  
2189 billion of that plan comes from the new infrastructure law,  
2190 and over 16.7 billion over 5 years to help redo I-4 and boost  
2191 SunRail, and Brightline, and Poinciana Parkway, and other  
2192 areas in the district.

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2193           And then we passed the CHIPS and Science Act, boosting  
2194 microchip manufacturing. We are right now only making 10  
2195 percent of the chips, globally. This will help bring us  
2196 forward with areas like NeoCity in my district that makes  
2197 aerospace microchips and micro packaging, and just received a  
2198 \$51 million Build Back Better grant with more to come.

2199           And then the Inflation Reduction Act, a \$369 billion  
2200 investment to advance clean energy, to lower pollution,  
2201 combat climate change, boosting electric vehicles which we  
2202 talked about a lot, solar, wind, more efficient appliances,  
2203 nuclear, and carbon capture.

2204           So the first thing I think is critical is that we don't  
2205 push America to default on our debts. That has been talked  
2206 about quite a bit already.

2207           The second is we need to find areas of common ground  
2208 like the privacy -- Internet privacy bill that we passed out  
2209 last year that I expect will be one of the biggest things we  
2210 do this term.

2211           But also implementation of these laws are going to be  
2212 key.

2213           Mr. Jarsulic, you know, China faces air pollution, water  
2214 pollution, plastics. Their soil is toxic with cadmium and

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2215 other heavy metals. And the rallying cry of the last  
2216 generation has gone viral by young Chinese people vowing not  
2217 to have children. We want to have a different future here in  
2218 the United States. So how critical is it to our economic  
2219 success that we implement the Inflation Reduction Act to  
2220 combat pollution, to boost clean energy for our economic  
2221 future vis a vis competition with China?

2222 \*Mr. Jarsulic. Well, I think that the effects of a  
2223 degraded environment on health, labor force participation,  
2224 productivity are significant. And so, to the extent that we  
2225 can limit that, we -- that contributes to the competitiveness  
2226 of the U.S.

2227 And it is also the case that the world is being pushed  
2228 in the direction of production and economic behavior that  
2229 limits carbon emissions. And so the more that we can do to  
2230 make that transition efficiently, the more economic  
2231 competitiveness we will have.

2232 And so the kind of support that IRA gives to electric  
2233 vehicles, to solar power, and to other forms of -- and to the  
2234 establishment of other forms of energy -- incredibly  
2235 important. The support that CHIPS gives to developments,  
2236 both in basic science and the manufacture of semiconductors,

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2237 means that we will have a better technical base to implement  
2238 the kinds of things that will reduce those carbon emissions.

2239 So I think that there is a lot that is being done that  
2240 will contribute significantly to our long-term economic  
2241 competitiveness and make up for the kind of disadvantages  
2242 that we might face in the marketplace when we are dealing  
2243 with a competitor who kind of disregards --

2244 \*Mr. Bilirakis. Well, thank you. I thank the  
2245 gentleman. The gentleman's time has expired. I appreciate  
2246 it. Now we welcome the gentleman from Georgia.

2247 Welcome to the committee, and the chair recognizes you  
2248 for five minutes.

2249 \*Mr. Allen. Thank you, Mr. Chairman, and I thank the  
2250 witnesses for being here with us today. And thank you again,  
2251 Mr. Chairman. And it is a privilege to serve on this  
2252 committee under your leadership.

2253 \*Mr. Bilirakis. Best committee in Congress.

2254 \*Mr. Allen. Yes.

2255 \*Mr. Bilirakis. Don't forget that.

2256 [Laughter.]

2257 \*Mr. Allen. Well, it has been very interesting here  
2258 today, I will tell you this.

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2259           Mr. Pugh, first I want to thank you for your service,  
2260 for your work with the Army Cyber Institute. The Army Cyber  
2261 Command Center is located in the 12th district of Georgia, my  
2262 district. And it is good to see how expertise can be shared  
2263 across the public and private sectors for data security  
2264 purposes.

2265           We are not engaged in cyber security warfare here, but  
2266 how do you see passing a national data privacy framework  
2267 providing for more cooperation among allied countries against  
2268 current and political adversaries -- how do you see that  
2269 framework?

2270           \*Mr. Pugh. Well, thank you, Congressman, and I am  
2271 thrilled to see the Army represented in Georgia. I spent a  
2272 lot of time in Fort Benning, so I appreciate that.

2273           And to your point, I think the biggest issue now,  
2274 Congressman, is we don't have a privacy law here. So it is  
2275 forcing American companies to follow other frameworks around  
2276 the -- really, like GDPR and the European Union that is just  
2277 not as friendly to businesses. So I think this is, really, a  
2278 key opportunity for us to develop a framework, and hopefully  
2279 others follow what we view as the American vision.

2280           And I think the critical aspect is there are several



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2281 provisions that promote security. Just to flag one of them  
2282 is the notice if a consumer's data goes to China, North  
2283 Korea, Iran, and Russia. Right now, data can flow there and  
2284 the average consumer is totally unaware of it. And that is  
2285 just a deep concern.

2286 \*Mr. Allen. Well, obviously, that is our property, and  
2287 we have the right to protect it, and we certainly need to do  
2288 something about this.

2289 Ms. Sacks, you have done a lot of work with security-  
2290 focused think tanks. Again, you know, of course we passed  
2291 the CHIPS Act, which, you know, I think totaled over 250  
2292 billion -- \$252 billion. And now it looks like we have got a  
2293 glut of chips, of semiconductors in the country. What -- has  
2294 your think tank looked at, you know, what happens when the  
2295 government pours money into something, and then it creates  
2296 market problems, market issues as far as supply and demand?

2297 \*Ms. Sacks. Well, I can speak from a personal capacity,  
2298 rather than my organization's.

2299 \*Mr. Allen. Okay.

2300 \*Ms. Sacks. I have not looked at that specific issue.  
2301 I mean, I think you raise an important question, which is  
2302 once -- when governments pick winners and losers, we have to

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2303 be very smart about how those resources are allocated, and  
2304 particularly because we don't want to mirror China as a  
2305 nation focused on industrial policy.

2306 So how do we use state funding and facilitate productive  
2307 partnerships between the private sector and public  
2308 institutions to understand how do we allocate those resources  
2309 to avoid exactly those issues that you have discussed?

2310 \*Mr. Allen. And we don't seem to look down the road at  
2311 the implications of this, as far as the free market.

2312 And Mr. Farrah, the first thing is how much do these  
2313 these vehicles cost? I mean, what is the price range?

2314 \*Mr. Farrah. Congressman, currently it is -- as  
2315 so-called level four autonomy is being deployed out into the  
2316 United States, they are not currently available for private  
2317 ownership. And so you have companies that are operating  
2318 their own fleets of AVs. They are doing things such as robo  
2319 taxis and -- with the passenger cars, unmanned delivery pods  
2320 that are delivering groceries and whatnot, AV trucks that I  
2321 mentioned.

2322 And so, while private ownership may be in the future,  
2323 that is not where we are currently.

2324 \*Mr. Allen. So we haven't gotten a market base on the

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2325 price of manufacturing those vehicles? Okay.

2326 \*Mr. Farrah. That is correct.

2327 \*Mr. Allen. You are an innovator. Obviously, this is a  
2328 great -- this is going to be a great tool for the American  
2329 people. What is the best driver of innovation in this  
2330 country? Is it free market or government?

2331 \*Mr. Farrah. Sir, what I can speak to is that our  
2332 industry has led in terms of private capital investment into  
2333 this industry. Certainly, this has been a private sector-  
2334 driven exercise in terms of deployment of AVs to this point.

2335 But it is important that policymakers shine a light on  
2336 this industry because there is, obviously, a lot of work that  
2337 needs to get done, both from a Federal legislative  
2338 perspective, as well as at a regulatory perspective.

2339 \*Mr. Allen. Right.

2340 \*Mr. Farrah. And so it truly is a partnership, and we  
2341 need your help.

2342 \*Mr. Allen. Well, Ms. Sacks, I think you hit -- I mean,  
2343 you hit the nail on the head, where how does the government  
2344 do this because they are picking winners and losers. And it  
2345 affects all the markets.

2346 So with that, Mr. Chairman, I yield back.

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2347           \*Mr. Bilirakis. I appreciate that very much. Okay, now  
2348 I recognize the representative Mrs. Trahan for five minutes.  
2349 I appreciate it, thanks for your patience.

2350           \*Mrs. Trahan. Thank you, Mr. Chairman.

2351           It is no secret to anyone here today the United States  
2352 has been losing the manufacturing race for a long time. It  
2353 is certainly not a surprise to anyone in my district, which  
2354 is where our nation's industrial revolution was born, and  
2355 where once-great mills have sat empty for years.

2356           The offshoring of manufacturing jobs has hurt almost  
2357 every sector, particularly as supply chain issues erupted  
2358 during the COVID-19 pandemic. But perhaps the most glaring  
2359 example of this dangerous trend is our semiconductor  
2360 industry. Since 1990, the U.S. share of global semiconductor  
2361 manufacturing dropped from 37 percent to 12, and in that time  
2362 countries like China have surpassed us in semiconductor  
2363 manufacturing capacity.

2364           Mr. Chairman, this trend poses a serious threat not just  
2365 to our nation's economic competitiveness, but to our national  
2366 security. And supply chain disruptions have shown in  
2367 excruciating detail, as we have waited on foreign shipments  
2368 of semiconductors that have been bogged down in supply chain

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2369 disruptions.

2370           Like many of my colleagues on this committee, I have  
2371 heard how this issue is impacting businesses and families  
2372 that I represent. Massachusetts companies up and down the  
2373 supply chain, from manufacturers of cancer screening  
2374 technology to defibrillators, have been sounding the alarm  
2375 about the disruption's impact on their business and the  
2376 patients and hospitals depending on them.

2377           Families looking to buy a used car to make sure they can  
2378 get their kids to school on time have had to pay ridiculous  
2379 prices, in part because of chip shortages in the automotive  
2380 industry. It is for this exact reason that we voted in a  
2381 bipartisan manner last Congress to pass the CHIPS Act, the  
2382 CHIPS and Science Act, which includes unprecedented Federal  
2383 funding to jumpstart our semiconductor industry and  
2384 reestablish our nation's manufacturing leadership.

2385           And when I think about our competitiveness -- frankly,  
2386 our winning -- I do think about the major pieces of  
2387 legislation that we passed last year. My colleague from  
2388 Florida talked about the Inflation Reduction Act, CHIPS and  
2389 Science, of course, but also the bipartisan infrastructure  
2390 bill.

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2391           So, Mr. Jarsulic, I am hoping that you can speak about  
2392 the impact that the \$52 billion included in the bipartisan  
2393 CHIPS in Science Act, as well as the billions of dollars  
2394 allocated by the infrastructure law to revitalize our roads,  
2395 our bridges, railways, electric vehicle charging stations,  
2396 high speed Internet, all that supportive infrastructure, will  
2397 have on U.S. domestic semiconductor manufacturing. And  
2398 frankly, should we expect more private investment in this  
2399 critical technology?

2400           \*Mr. Jarsulic. Yes, I think those \$52 billion are  
2401 divided into two big parts. One is 11 to support basic  
2402 science research and development that are related to  
2403 semiconductor manufacturing. I think that that helps to  
2404 overcome the real public good problem of doing that kind of  
2405 basic research. But there is another \$39 billion, the  
2406 majority of which, 24 billion, provides investment tax  
2407 credits for private investment.

2408           And that means that the decision-making about what is  
2409 going to be built over what time frame really rests with the  
2410 private sector. That is, these are credits. They are going  
2411 to have to put private capital at risk in order to -- you  
2412 know, to get those credits and expand manufacturing capacity.

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2413 So I think that the notion that there isn't a market-based, a  
2414 competitive-based allocation of these funds is a little bit  
2415 misleading.

2416 That said, those two major efforts, both in terms of  
2417 basic research and in terms of incentivizing investment,  
2418 should do a lot to increase semiconductor manufacturing  
2419 capacity. But any business needs an efficient and effective  
2420 infrastructure to operate: good transportation, good water,  
2421 good power supply. And I think that the support for that in  
2422 bipartisan infrastructure will also benefit semiconductor  
2423 manufacturing, as it will most business in the U.S.

2424 \*Mrs. Trahan. Thank you, I appreciate that.

2425 I will see if I have enough time to switch gears,  
2426 because I was so excited to hear so many of my colleagues  
2427 discuss privacy. Because the truth is many of the critical  
2428 devices that require semiconductors also collect, store, and  
2429 transmit personal and even sensitive consumer data.

2430 My team and I thought about this quite a bit during the  
2431 markup of the bipartisan and bicameral ADPPA last summer, and  
2432 strong data minimization and data loyalty language allows  
2433 consumers to escape constant consent pop-ups, which are  
2434 particularly useless in a world where sensors devoid of a

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2435 screen monitor our vital signs, our sleep patterns, and the  
2436 location of our pets to create comprehensive profiles of our  
2437 lives that can be used in a range of predictive analytics.

2438 So, Mr. Pugh, maybe for the record, hoping you can speak  
2439 to the importance of data minimization to this nation's cyber  
2440 and national security.

2441 \*Mr. Bilirakis. I appreciate it. You can take that for  
2442 the record.

2443 [The information follows:]

2444

2445 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

2446



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2447           \*Mr. Bilirakis. Thank you for the question, and the  
2448 gentlelady yields back.

2449           And I will recognize the gentlelady from the great state  
2450 of Tennessee, home of the number one Florida Gator, Steve  
2451 Spurrier, Johnson City.

2452           \*Mrs. Harshbarger. Oh, you would have to mention that,  
2453 Mr. Chairman.

2454           \*Mr. Bilirakis. Of course, of course.

2455           [Laughter.]

2456           \*Mrs. Harshbarger. I am trying to forgive him.

2457           \*Mr. Bilirakis. You are recognized for five minutes.

2458           \*Mrs. Harshbarger. Thank you. My question goes, the  
2459 first one, to Mr. Pugh. But let me read a little statement.

2460           As a mother and a grandmother, I am deeply concerned  
2461 about the ways TikTok is manipulating our nation's children.  
2462 You know, I have seen reports that detail China's version of  
2463 TikTok, which offers the friendly version with educational  
2464 videos and learning tools and time limits set on what the  
2465 children look at in China. And then you come over here and  
2466 you see the opium version, which, you know, addicts our  
2467 children in front of their phone. And that educational tool  
2468 isn't offered over here, like it is in China.

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2469           What are the current data privacy protections for  
2470 children, and how could a comprehensive data security  
2471 standard help strengthen those protections?

2472           \*Mr. Pugh. Well, Congresswoman, thank you. Our current  
2473 standards, simply put, are inadequate. I mean, we have  
2474 COPPA. There were some other attempts to look at children's  
2475 privacy legislation. But I think the real answer is a  
2476 comprehensive approach, not the diminished attempts that are  
2477 specifically at -- directed at children. But really, privacy  
2478 is a concern for all Americans. And I do think that was a --  
2479 really, a hallmark of ADPPA last Congress was, regardless of  
2480 age, there was protections there to help you.

2481           Specifically with children, there were several  
2482 phenomenal ones, everything from additional resources at the  
2483 FTC directed specifically at kids to rules around target  
2484 advertising for kids. You could tell that kids were  
2485 definitely a focus in that bill, and I think that should be  
2486 the case going forward.

2487           \*Mrs. Harshbarger. Well, and I said this when I was on  
2488 Homeland. I am like, if your children are on TikTok, get  
2489 them off. Get them off. Adults, you are responsible, but  
2490 children are not.

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2491           Ms. Sacks, I think that we both have questions for you  
2492 with -- concerning TikTok. And it is -- you know, I am  
2493 tremendously concerned about TikTok, but I am sure there is  
2494 many other Chinese apps that you would suggest that we be  
2495 watching. And I guess my question is, what other Chinese  
2496 companies are you concerned about, and what should we be  
2497 asking?

2498           And then the second part is can you describe how the CCP  
2499 is encouraging the adoption of emerging technology like  
2500 artificial intelligence and its defensive capabilities, and  
2501 how the Beijing's unprecedented emphasis on intellectual  
2502 property theft in this sector factors into those efforts?

2503           \*Ms. Sacks. Thank you, and a lot to unpack there.

2504           \*Mrs. Harshbarger. Yes.

2505           \*Ms. Sacks. I guess I will start with the TikTok issue.  
2506 You know, I think that there are two important issues on the  
2507 table. One is data security, who has access to what, and the  
2508 other is the potential to push misinformation online, the  
2509 recommendation algorithm.

2510           My understanding is that there is a national security  
2511 agreement on the table, and I think it -- and I have  
2512 published an article which sort of details what exactly that

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2513 looks like.

2514           You know, from a data security standpoint, if the -- if  
2515 Oracle has the data in the cloud, there are multiple third-  
2516 party auditors and an oversight board that reports to CFIUS.  
2517 I think that that would be pretty much locked down.

2518           The question around what kind of information the  
2519 recommendation system pushes forward is an important one, and  
2520 that also under this agreement would potentially -- and it is  
2521 called Project Texas, and I have published about it just a  
2522 week or so ago -- would be, again, subject to verification  
2523 source code review, essentially vetted by CFIUS.

2524           I think it is important that the public understand what  
2525 that national security agreement would look like, and then  
2526 have a debate. Is this enough to address those concerns?  
2527 And to what extent would other social media companies also  
2528 need to meet those?

2529           You know, I think that, as a mother, I am very concerned  
2530 about what information my young children will be looking at  
2531 online. And I am terrified, because right now I think it is  
2532 a free-for-all. When we focus on specific companies, we can  
2533 lock down that information, but it doesn't solve the issue.

2534           \*Mrs. Harshbarger. Right.

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2535           \*Ms. Sacks. We can ban TikTok, force a divestiture.  
2536 When my boys are teenagers I hope that there will be a more  
2537 comprehensive solution, because it is not going to address  
2538 the way that misinformation is addicting children. And so  
2539 that is a much bigger issue than any single company.

2540           \*Mrs. Harshbarger. Well, absolutely. And not to  
2541 mention, you know, when Director Wray says that is a national  
2542 security threat -- and I know we are not talking about that  
2543 -- but the tracking of users' data, that is a concern. That  
2544 is a huge concern.

2545           And my grandsons are soon to be six and eight. So my  
2546 son and daughter-in-law just better never bring TikTok to the  
2547 table, okay?

2548           And I guess, with that, I will yield back, Mr. Chairman.

2549           \*Mr. Bilirakis. The gentlelady yields back. And I will  
2550 recognize the -- my good buddy from the State of Florida, Kat  
2551 Cammack, for five minutes.

2552           \*Mrs. Cammack. Yes, Steve Spurrier. Land of Steve  
2553 Spurrier. Go, Gators.

2554           Thank you, and congratulations to my good friend,  
2555 Chairman Bilirakis, for hosting this very important hearing  
2556 today. Thank you to our witnesses. We are coming to the

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2557 end, so hang in there with us.

2558           This topic, our competitive edge against an adversarial  
2559 nation who uses the existing multilateral system to bend the  
2560 rules in their favor, the Chinese Communist Party, is one of  
2561 the most important issues of our time. Indeed, the CCP has  
2562 very little regard for basic human rights, environmental  
2563 protections, or the rule of law as they continue on their  
2564 quest for global dominance.

2565           So I believe that the greatest value that we have as a  
2566 nation is our people, our constitutional republic, and our  
2567 CQ, our creative quotient. We are innovators.

2568           From the space race to the deployment of the Internet,  
2569 the United States has been an international leader on  
2570 scientific innovation and achievement. Our free market  
2571 model, paired with our national creative quotient, including  
2572 private R&D efforts, no doubt drives much of our success as a  
2573 leader in the world. So the work that we do here today will  
2574 lead and carry us through the next several decades.

2575           Without question, the U.S. and our allies must lead the  
2576 world in privacy regulations and technological innovation.  
2577 Otherwise, we risk allowing malign actors like the CCP to  
2578 create a counter set of rules predicated on debt-trapped

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2579 economies that will be enticed to leave the rules-based  
2580 system, and adopt a model made to benefit authoritarian  
2581 countries run by groups like the CCP.

2582         So jumping right in, Mr. Pugh, you said in your  
2583 testimony -- and my good friend from Tennessee alluded to  
2584 this -- you know, the protections and privacy laws are wholly  
2585 inadequate, by and large. How do we balance that patchwork  
2586 of state laws?

2587         How can we do a preemptive Federal privacy and data  
2588 security law that specifically allows for those protections,  
2589 while prohibiting the stifling of entrepreneurs or new market  
2590 entrants into tech-related industries, quantum computing,  
2591 social media, AI, et cetera?

2592         \*Mr. Pugh. Congresswoman, thank you. And I think you  
2593 really answered the question kind of yourself, because  
2594 preemption is key. And I think ADPPA was a great substantive  
2595 step in terms of how preemption was resolved.

2596         I mean, that is exactly the thing. We need one Federal  
2597 standard, not this patchwork that is emerging. Granted, only  
2598 5 states will have privacy laws in 2023. We have already  
2599 seen dozens and dozens introduced this year and last year.  
2600 So I think the real potential of having even more laws this

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2601 year or next is going to be there.

2602           And it hurts our small and medium-sized companies,  
2603 because they don't largely have the resources to follow all  
2604 the developments, the constant amendments at a state level.  
2605 Whereas, if they have one standard to look to, it may still  
2606 take resources, but at least it is one standard. So I think  
2607 that is the key, and making sure preemption is strongly  
2608 reflecting a Federal bill.

2609           \*Mrs. Cammack. I appreciate that. And I am going to  
2610 follow up again on my good friend from Tennessee.

2611           We were sitting over here talking about TikTok. You  
2612 know, I am the Millennial in the room. And so this is a  
2613 generation -- grandmother, Millennial. But, you know, this  
2614 is a concern to me, my peers, and the generation coming  
2615 directly right after me, the Gen Zs.

2616           I grew up with social media, MySpace, Facebook -- today  
2617 Meta. These have real-world impacts. Privacy concerns?  
2618 Heck, one social media platform can be directly attributed to  
2619 a political revolution in nations abroad. So we know that  
2620 there are real-world impacts that we have to contend with.  
2621 So obviously, TikTok being a huge one.

2622           Representative Harshbarger alluded to the fact that, in



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2623 China, on TikTok children 14 and younger are shown patriotic  
2624 videos, educational videos, history videos, and they are  
2625 limited to 40 minutes. In the United States, they have the  
2626 algorithms set to do shorter videos that are meant to create  
2627 dopamine hits in your brain.

2628         There was a survey done between the United States and  
2629 China, a 14-year-old, asking, "What is the most aspirational  
2630 career you want to have?" In the United States the number-  
2631 one answer was social media influencer. In China they said  
2632 they wanted to be an astronaut. If you want to look at the  
2633 future of our two nations, start here. That is why we need  
2634 to be very serious about how we contend with TikTok and other  
2635 apps like TikTok.

2636         So my question -- and I know I am running short on time  
2637 -- is how can we protect our kids, our data, while  
2638 simultaneously respecting free market economics in these  
2639 applications?

2640         The balance is a really tricky one, but we need to have  
2641 a game plan moving forward on how we contend with this. And  
2642 if any other witnesses want to answer this, I am open to  
2643 hearing your thoughts.

2644         \*Mr. Bilirakis. Let's --

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2645           \*Mrs. Cammack. In nine seconds.

2646           \*Mr. Bilirakis. Yes, very brief, and then we are going  
2647 to take the question for the record. It is a very important  
2648 question, so I want you to have as much time to answer it.  
2649 This is what we are facing in this country. Please, briefly.

2650           \*Mr. Pugh. The short answer, Congressman and Chairman,  
2651 is passing a national comprehensive data privacy and security  
2652 law. We did a report last year with 125 different entities  
2653 across all ideologies, in conjunction with Harvard. And we  
2654 think that really is the answer of solving some of these  
2655 national security and privacy concerns.

2656           \*Mr. Bilirakis. Thank you.

2657           \*Mr. Pugh. Thank you.

2658           \*Mr. Bilirakis. Thank you, thank you, I appreciate it.  
2659 I now recognize the vice chairman.

2660           Congratulations, Mr. Vice Chairman of the full  
2661 committee, Mr. Armstrong. You are recognized for five  
2662 minutes.

2663           \*Mr. Armstrong. Thank you, Mr. Chair.

2664           Ms. Sacks, whether it is national security threats from  
2665 aggression, nation states, or data protection regimes, it  
2666 seems as if the trend is towards data localization. You have

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2667 recently and even today mentioned Project Texas, TikTok's  
2668 proposed mitigation agreement to address U.S. national  
2669 security concerns, as a potential accelerant to data  
2670 localization requirements. And you were speaking with  
2671 Congressman Dunn about data free flows with trust.

2672 Does our experience with the challenges of the EU-U.S.  
2673 privacy framework and broader international concerns about  
2674 U.S. surveillance capabilities make that a realistic proposal  
2675 in the near term?

2676 \*Ms. Sacks. Thank you for raising the issue of data  
2677 localization, because I think this gets at an inherent  
2678 tension here, right?

2679 Governments around the world, the U.S., in Europe, in  
2680 China, in India are increasingly concerned with foreign  
2681 government access to data, as well as private sector access.  
2682 And so I think what is happening is the response to this is  
2683 increasing requirements would require data to be stored on  
2684 local servers and undergo extensive vetting before it is sent  
2685 abroad.

2686 Project Texas, from my understanding of what has been  
2687 released publicly, would address U.S. Government concerns  
2688 around who has access to the data by storing it in a Oracle

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2689 cloud with a number of third-party vetters, auditors, to vet  
2690 that in terms of the data that leaves. But it also  
2691 potentially creates a blueprint to accelerate this trend of  
2692 digital sovereignty, which we have seen around the world  
2693 beyond the U.S. and China.

2694         And so this question of how do you strike a balance  
2695 between facilitating greater data flows which are needed for  
2696 innovation and economic competitiveness, while also  
2697 addressing legitimate data security questions, this is sort  
2698 of the key question, and I think it is one that merits much  
2699 further discussion.

2700         \*Mr. Armstrong. I literally just came up here from  
2701 asking questions about the Chinese Government -- or a hacking  
2702 group in Chinese -- either with coordination with the Chinese  
2703 Communist Party, or definitely with the permission of the  
2704 Chinese Communist Party actually going after our COVID relief  
2705 funds. So, I mean, this is coming from every different  
2706 place.

2707         But we often discuss CCP's collection of U.S. person  
2708 data by citing the 2015 OPM hack, as well as the hacks on  
2709 Marriott and Equifax. The follow-up question is usually how  
2710 the CCP might operationalize that data. I think we

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2711 understand the ramifications of weaponizing that data against  
2712 national security officials or Chinese dissidents to  
2713 blackmail or develop kompromat. Can you explain the risks of  
2714 the CCP aggregating all the data they have obtained, and the  
2715 type of risks it might reveal at the demographic or  
2716 population levels?

2717 \*Ms. Sacks. Yes. I mean, to be honest, I think that  
2718 creating profiles based on aggregate data is primarily a  
2719 counterintelligence concern for individuals with national  
2720 security clearances, in the military, or access to sensitive  
2721 information. For your average American, what that -- what  
2722 the impact would probably be more in terms of would that  
2723 population or individual preference information -- could that  
2724 be used to push information that would make, say, a spear  
2725 phishing attack more appealing?

2726 It might be more likely that someone would be a -- would  
2727 click on a link because it appealed to them based on  
2728 information that was collected. And so I would say it is --  
2729 I would look at it from that angle.

2730 But what I highlighted in my testimony, the more sort of  
2731 far-reaching impact is on economic competitiveness, which is  
2732 a distinct issue. Right? It is on Chinese firms who are

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2733 able to access diverse international data sets beyond China.  
2734 What that allows them to do is train AI models that could be  
2735 more competitive in markets outside of China, where they are  
2736 competing head to head with U.S. firms.

2737           So I would bucket the risk. You have national security  
2738 issues, you also have targeted misinformation that could be  
2739 used from that, as well as economic competitiveness between  
2740 the U.S. and Chinese firms. And it is important to sort of  
2741 be clear about those distinct buckets of risk.

2742           \*Mr. Armstrong. Mr. Pugh, I am going to ask you the  
2743 same question. You got, I mean, 45 seconds to follow up, so  
2744 that was easy.

2745           But, I mean, I think we always operationalize this at  
2746 the national security, but it is hard to get it down to my  
2747 15-year-old daughter, who is on TikTok way more than she  
2748 should be, and all of these different issues about the data  
2749 collection.

2750           \*Mr. Pugh. I think the key point to recognize,  
2751 Congressman, is data is not just universal. There is  
2752 different types of data. So even when it comes to  
2753 geolocation data -- yes, maybe I am an exception because I  
2754 served in the military. But outside of that, I don't want

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2755 another country knowing where I am in a moment, where I am  
2756 going, where my movements are, regardless --

2757 \*Mr. Armstrong. I don't want my own country knowing  
2758 that.

2759 [Laughter.]

2760 \*Mr. Pugh. So I think that that is a risk. And then  
2761 off of that, not only they collect the data, they are really  
2762 bad at securing it, evidenced by the breach they had in the  
2763 Shanghai Police Department last summer. So they are  
2764 collecting it, and they are not even making it safe. So even  
2765 other third parties and adversaries are getting it.

2766 \*Mr. Armstrong. And I would just end with I didn't want  
2767 to be a social influencer or an astronaut. I wanted to be a  
2768 fireman. So I became a lawyer and a politician.

2769 Thank you. I yield back.

2770 \*Mr. Bilirakis. Oh, well, who are you going to blame  
2771 for that?

2772 Folks, well, thank you. We are off to a good start, and  
2773 I appreciate everything. Seeing there are no further members  
2774 wishing to be recognized, I want to thank the ranking member.  
2775 Again, I want to thank the witnesses for being here today.

2776 And I have got a little housekeeping here. So pursuant

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2777 to the committee rules, I ask unanimous consent to enter the  
2778 following documents into the record: a letter from the  
2779 Alliance for Automotive Innovation; a report from the  
2780 Alliance for Automotive Innovation titled, "Ready to Launch:  
2781 Autonomous Vehicles in the U.S.'"; a presentation by the  
2782 Alliance for Automotive Innovation titled, "Policy Roadmap to  
2783 Advance Automated Vehicle Innovation'"; a letter to the  
2784 Secretary of Transportation, Mr. Buttigieg, regarding the  
2785 Huawei Technologies; the September 2020 China Task Force  
2786 report; an amendment offered to the Invest in America Act; a  
2787 letter from the National Federation of the Blind supporting  
2788 an amendment to the Invest in America Act; a press release  
2789 from the Jacksonville Transportation Authority regarding  
2790 their partnership with Beep and NAVYA to safely transport  
2791 COVID-19 samples; an article by the Klon Kitchen and Hal  
2792 Brands entitled, "Tuya: Maybe the China Threat that Beats  
2793 Russia's Ransomware Attacks'": a letter regarding the FCC's  
2794 Secure and Trusted Communication Networks Reimbursement  
2795 Program; a letter from the Consumer Brands Association and  
2796 Information Technology Industry Council; a letter from the  
2797 Advocates for Highway Safety regarding emerging vehicle  
2798 technologies and autonomous vehicles; a report from the



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2799 Center for Strategic and International Studies entitled,  
2800 "Empty Bins in a Wartime Environment: the Challenge to the  
2801 U.S. Defense Industrial Base'`; and finally, a letter from  
2802 the National Association of Manufacturers.

2803 [The information follows:]

2804

2805 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

2806

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2807           \*Mr. Bilirakis. Okay, very good. We got that in.

2808           Pursuant to the committee rules, I remind members that  
2809 they have 10 days, 10 business days, to submit questions for  
2810 the record. And I ask the witnesses to respond to their  
2811 questions promptly.

2812           Members should submit their questions by the close of  
2813 business on February 15.

2814           If there is no other business, without objection, this  
2815 subcommittee is adjourned. Thank you.

2816           [Whereupon, at 1:00 p.m., the subcommittee was  
2817 adjourned.]