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6 MAPPING AMERICA'S SUPPLY CHAINS:

7 SOLUTIONS TO UNLEASH INNOVATION, BOOST

8 ECONOMIC RESILIENCE, AND BEAT CHINA

9 WEDNESDAY, SEPTEMBER 20, 2023

10 House of Representatives,

11 Subcommittee on Innovation, Data, and Commerce,

12 Committee on Energy and Commerce,

13 Washington, D.C.

14

15

16 The subcommittee met, pursuant to call, at 10:31 a.m.,

17 in Room 2322 Rayburn House Office Building, Hon. Gus

18 Bilirakis [chairman of the subcommittee] presiding.

19

20 Present: Representatives Bilirakis, Bucshon, Walberg,

21 Dunn, Lesko, Pence, Allen, Fulcher, Harshbarger, Cammack,

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22 Rodgers (ex officio); Schakowsky, Castor, Dingell, Kelly,
23 Blunt Rochester, Soto, Trahan, and Pallone (ex officio).
24

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25 Also present: Representatives Miller-Meeks and Johnson.

26

27 Staff present: Michael Cameron, Professional Staff
28 Member; Sydney Greene, Director of Operations; Jessica
29 Herron, Clerk; Sean Kelly, Press Secretary; Peter Kielty,
30 General Counsel; Emily King, Member Services Director; Tim
31 Kurth, Chief Counsel; Brannon Rains, Professional Staff
32 Member; Teddy Tanzer, Senior Counsel; Hannah Anton, Minority
33 Policy Analyst; Waverly Gordon, Minority Deputy Staff
34 Director and General Counsel; Daniel Greene, Minority
35 Professional Staff Member; Tiffany Guarascio, Minority Staff
36 Director; Lisa Hone, Minority Chief Counsel; Joe Orlando,
37 Minority Junior Professional Staff Member; and Geneva Wolfe,
38 Minority Intern.

39

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40 *Mr. Bilirakis. Good morning. The subcommittee will
41 come to order. The chair recognizes himself for an opening
42 statement.

43 Good morning, everyone. Welcome to today's hearing on
44 legislation that will help bolster America's global
45 leadership and secure our Nation's economic and national
46 security.

47 Since this committee was created in 1795, wow, it has
48 had a clear purpose on how to promote interstate commerce
49 domestically and conduct business abroad. The first
50 committee created in the United States Congress. It is
51 amazing that we are sitting on this committee.

52 Learning how our supply chains work and ensuring their
53 integrity has an integral part of that work and historically
54 has not been a partisan issue. More recently, there was an -
55 - on display in several emerging technology supply chain
56 bills that formed Chair Rodgers's bipartisan American Compete
57 Act legislation that became law in 2020.

58 As we learn from the crippling effects of the pandemic
59 on America's supply chains in 2021, further efforts began in
60 our committee to examine how we can better map and monitor

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61 supply chains to ensure resiliency in the future. What
62 started as a positive bipartisan process, unfortunately went
63 down a different path. To be clear, I don't blame my
64 Democrat colleagues on this committee, as I know this was a
65 top-down decision dictated by the previous Speaker. Instead
66 of consensus legislating, the process led to multi-billion-
67 dollar spending programs that skipped regular order, which
68 ironically now the Minority party insists we preserve.

69 The conclusion to that effort was failure, as even the
70 Senate was unable to agree with the enormous price tag and
71 government interventions into the private sector. I say this
72 not to relitigate the past but more to help us get a fresh
73 start.

74 Today we have legislation from Dr. Bucshon that takes us
75 back to our earlier consensus, identifying the special role
76 that emerging technologies will have in our future economy.
77 It is best to promote and deploy these technologies now with
78 our values driving the process rather than to spend billions
79 to figure out how to reclaim them later if they are deployed
80 and deployed with an adversary's values.

81 I believe both sides of the aisle can appreciate this

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82 legislation on the docket in draft form to continue a
83 dialogue that results in a bipartisan consensus. We have all
84 been legislating long enough to know that America cannot
85 simply throw taxpayer dollars at an issue to rectify
86 concerns. The multi-billion-dollar semiconductor program
87 enacted last Congress has been hamstrung by issues we flagged
88 during its consideration for not considering regulatory
89 burdens like permitting. The way we retain and grow our
90 leadership is not to outspend China, but instead provide a
91 stable regulatory framework that rewards innovators and
92 entrepreneurs with results.

93 To secure our future, we need to address problems our
94 Nation faces at the root cause. That means mapping and
95 monitoring supply chains and understanding why we are so
96 reliant on adversaries like China for many critical minerals
97 and components essential for products our constituents use.
98 We should understand how we can source in America or with
99 allied nations.

100 It means promoting the deployment of emerging
101 technologies like blockchains to have greater transparency
102 into a chain of custody, autonomous vehicles to help deliver

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103 goods where we see voids. It means removing barriers that
104 small businesses and startups face and their efforts to enter
105 markets and developing a plan to promote their growth and
106 their workforce.

107 And specifically on that note, I also want to thank
108 Representatives Bill Johnson, Dean Phillips for their
109 continued leadership on H.R. 5398, the Advancing Tech
110 Startups Act, and to Representatives Miller-Meeks, Bucshon,
111 Johnson, Kuster, Schrier, and Spanberger for H.R. 5390, the
112 Critical Infrastructure Manufacturing Feasibility Act.

113 I look forward to the discussion today and welcome any
114 constructive and specific language we can review to get these
115 bills passed and ultimately succeed in getting them to the
116 President's desk. So thank you to our panelists who are here
117 today for your testimony.

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

119

120 *****COMMITTEE INSERT*****

121

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122 *Mr. Bilirakis. And I'll yield back.

123 I now recognize the gentlelady from Illinois, Ms.
124 Schakowsky, for five minutes for an opening statement. You
125 are recognized.

126 *Ms. Schakowsky. Thank you so much, Mr. Chairman. The
127 -- as you mentioned, the COVID-19 pandemic revealed the
128 serious weaknesses in our national supply chain. Consumers
129 faced shortages in things ranging from toilet paper to cars.
130 And in 2022, 60 percent of the small businesses said that the
131 supply chain issues were on the -- were on -- that supply
132 chain issues were one of the top problems that they were --
133 that they were facing.

134 In the past, I'm -- you know, Congressman, you and I
135 have worked together on so many things, but I have to say
136 that unfortunately I see today that two of the bills that we
137 are discussing leave workers on the sidelines. One -- what
138 is that?

139 *Voice. Leaves.

140 *Ms. Schakowsky. Okay. One leaves labor out of the
141 list of stakeholders. The Department of Commerce will be
142 required to be in touch with, that must consult with them.

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143 And the other ignores the issue of the -- what is it,
144 workers?

145 *Voice. Gig.

146 *Ms. Schakowsky. Gig. Okay, sorry. The gig workers
147 face, including lower wages, longer hours, and hazardous
148 workplaces. So I would really like to see that we are able
149 to include workers at the table because my colleagues,
150 Representatives --

151 *Voice. Blunt Rochester.

152 *Ms. Schakowsky. Oh, Blunt Rochester, who I am going to
153 yield to in just a minute, Kelly, Dingell, and Wild actually
154 have worked very hard on strengthening our supply chain. So
155 I would actually like to make sure that we include workers in
156 this. And I want to yield at this time to our colleague on
157 the committee, Representative Blunt Rochester, right now.

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

159

160 *****COMMITTEE INSERT*****

161

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162 *Ms. Blunt Rochester. Thank you, Ranking Member
163 Schakowsky. We on Energy and Commerce have sounded the alarm
164 on supply chain challenges that threaten our health from drug
165 shortages, our economy from rising prices, and our national
166 security even before the COVID-19 pandemic. But we know that
167 the pandemic exacerbated these challenges.

168 As a Congress, we took steps, and I was proud to work as
169 part of the CHIPS and Science Act conference committee to
170 help bring semiconductor manufacturing back home. But we all
171 know that we didn't go far enough. That's why in February of
172 this year I asked my colleagues to work with me to develop a
173 comprehensive, credible, and resource supply chains package
174 to compete globally and create good-paying American jobs.

175 The Republican supply chains discussion draft we are
176 considering today is a good start, but I believe that Mr.
177 Bucshon and I can make it stronger. When I worked on the
178 Supply Chains Act with Representatives Dingell, Kelly, and
179 Wild, we solicited the input of over 160 businesses, trade
180 associations, and other organizations to craft that policy.
181 In crafting our bill, Mr. Bucshon and I will continue to work
182 with stakeholders so that we can provide that feedback.

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183 We agreed that our compromise will ensure that the
184 Federal Government adopts the same spirit of collaboration
185 directing them to consult with all stakeholders, including
186 labor and representatives from America's workforce. While we
187 are still working out the details of our agreement, Mr.
188 Bucshon and I agree the supply chain legislation must
189 underscore the need for focused leadership dedicated to this
190 issue. That means developing a national strategy with
191 specific and measurable goals, and that includes enhancing
192 the Federal Government's support to the private sector.

193 If we are able to be competitive with China, it means we
194 must make sure this simple premise. If these things can be
195 made in America, we should make it in America. And we cannot
196 and will not lose this competition. And I am hopeful that we
197 will craft legislation that meets this moment.

198 [The prepared statement of Ms. Blunt Rochester follows:]

199

200 *****COMMITTEE INSERT*****

201

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

203 *Mr. Bilirakis. Does the gentlelady yield back? Yes?

204 Okay, thank you.

205 All right, I know recognize The Chair of the full
206 committee, Mrs. Rodgers, for five minutes for her opening
207 statement.

208 *The Chair. Thank you, Chairman Bilirakis, and our
209 witnesses for being here today.

210 America's economic leadership to beat China depends on
211 our ability to innovate and maintain strong reliable supply
212 chains. The COVID-19 pandemic exposed how fragile our supply
213 chains are. Hospitals were short on ventilators and personal
214 protective equipment. People were unable to find basic
215 necessities like food, medicine, baby formula, and hand
216 sanitizer. And manufacturers experienced shortages of
217 critical semiconductor chips which help power our cars and
218 our home appliances.

219 We learned how easy it is to become over-reliant on our
220 adversaries like China. And we cannot make that same mistake
221 again when it comes to our supply chains and emerging
222 technologies. Our national and economic security depends on

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223 American technology and our leadership.

224 At -- last week's Senate Summit on artificial
225 intelligence made clear AI has become a top priority for
226 lawmakers. A recent Commerce Department report, which was
227 required by legislation from this committee, stressed that in
228 order to lead in AI and other technologies, the U.S. needs a
229 national data privacy and security framework. I agree that
230 that is key, and I know many join me in that.

231 But it is not just for AI, it is for American tech
232 leadership more broadly. Which is why we have been working
233 on legislation to protect America's information online and
234 prevent China from surveilling and manipulating Americans.
235 In order to make sure these technologies are developed here
236 in the U.S., we also need to embrace innovation and
237 entrepreneurship. That is the American way. We will never
238 outspend China, nor should we even attempt to. Trying to do
239 so wastes taxpayer dollars, it hurts small businesses and
240 startups, and it cedes our leadership and technology and that
241 future to the Chinese Communist Party.

242 To grow our economy, to boost jobs, ensure that the U.S.
243 not China is developing these technologies of the future, we

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244 need solutions that unleash innovation and spur investment in
245 these key technologies. The bills we are discussing today
246 will achieve this goal.

247 Three years ago, committee Republicans authored
248 legislative proposals to secure American leadership in
249 emerging technologies critical to our long-term global
250 competitiveness like artificial intelligence, blockchain, and
251 the internet of things, and several of these proposals became
252 the bipartisan American Compete Act of 2020. If we fail to
253 adequately secure our supply chains, the technologies we rely
254 on every day will be vulnerable to malicious actors and
255 adversaries like China who want to use these technologies to
256 exploit and surveil Americans and their families. That
257 includes homes, cars, phones. Nearly every moment of every
258 day could be accessible by China and other bad actors.

259 A regime like the CCP, which suppresses free speech,
260 surveils its own citizens to control them, and commits
261 countless human right violations should not control the tech
262 future. We saw this when Chinese-based Huawei infiltrated
263 our communications networks. And now we are seeing China
264 testing their self-drive technologies on American roads. We

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265 must ensure technologies of tomorrow are developed in an
266 ecosystem that promotes American values and promotes American
267 data and our privacy.

268 I look forward to today's discussion.

269 [The prepared statement of The Chair follows:]

270

271 *****COMMITTEE INSERT*****

272

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273 *The Chair. And I would like to yield the remainder of
274 my time to Dr. Bucshon to discuss his legislation on supply
275 chain mapping and resiliency. I yield.

276 *Mr. Bucshon. Thank you, Madam Chairwoman, for
277 yielding.

278 Today is an opportunity to help ensure that our economy
279 and national security apparatus have a stable supply chain
280 that can withstand natural disasters, international
281 conflicts, trade restrictions, and any other number of issues
282 that can have -- that have led to bottlenecks for American
283 producers. Enacting the draft legislation before us today
284 will ensure that the Department of Commerce has the authority
285 and information it needs to anticipate where and when supply
286 shocks could arise by mapping and monitoring supply chains
287 and to determine how best to respond when these shocks
288 inevitably occur.

289 I am also glad that this draft legislation will
290 establish a program to have the Department of Commerce
291 promote the use of blockchain technologies. Blockchains can
292 help secure our supply chains by providing American producers
293 with information on the sourcing of component parts of an end

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294 product. This will provide the producer and the Department
295 of Commerce with critical information on supply chain
296 vulnerabilities.

297 I want to continue to work with my colleagues across the
298 aisle, particularly Ms. Blunt Rochester, and with
299 stakeholders in industry to get this right, to promote a
300 stronger and more resilient American economy.

301 [The prepared statement of Mr. Bucshon follows:]

302

303 *****COMMITTEE INSERT*****

304

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305 *Mr. Bucshon. And I yield back to the chairwoman.

306 *The Chair. I yield back.

307 *Mr. Bilirakis. Appreciate it. Now I will recognize
308 the ranking member of the full committee, Mr. Pallone, for
309 his five minutes.

310 *Mr. Pallone. Thank you, Chairman Bilirakis.

311 The COVID-19 public health crisis exposed serious
312 vulnerabilities in our critical manufacturing supply chains.
313 Vulnerabilities that harmed our efforts to combat COVID-19
314 and its economic fallout. Ask any doctor, nurse, or
315 essential worker who needed personal protective equipment
316 during the height of the COVID-19 pandemic. Ask any assembly
317 line worker, manufacturer, or startup who did not have enough
318 semiconductors essential to produce critical products and
319 consumer electronics. Ask any everyday consumer who could
320 not find basic household essentials like toilet paper and
321 cleaning supplies as demands surged and supply chains just
322 ground to a halt.

323 So last Congress, congressional Democrats took bold
324 action to strengthen our manufacturing base, bolster supply
325 chains, create good-paying jobs for American workers, unleash

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326 innovation, and lower costs for consumers. The CHIPS and
327 Science Act makes transformative, historic investments to
328 strengthen supply chains and American manufacturing and
329 included 52.7 billion dollars to spur American semiconductor
330 production in order to end our dangerous dependence on
331 foreign manufacturers of this critical good. And this new
332 law will ensure that more semiconductors are produced here in
333 the United States and not in China. If beating China was not
334 just a slogan for House Republicans, they would have joined
335 us in taking action and voting for this bill.

336 Then there is the Bipartisan Infrastructure Law, which
337 is modernizing our Nation's infrastructure by investing
338 hundreds of billions of dollars for roads, bridges, railways,
339 highspeed broadband, clean drinking water infrastructure, and
340 electric vehicle chargers. And the Inflation Reduction Act,
341 which is lowering costs for American families, including
342 healthcare, prescription drugs, and energy costs while also
343 combatting the worsening climate crisis so we can lead the
344 world in the clean energy transition.

345 Now these laws are strengthening the economy from the
346 bottom up and middle out. The U.S. has added nearly 800,000

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347 manufacturing jobs during President Biden's administration,
348 total construction spending on manufacturing in the U.S. has
349 skyrocketed providing good construction jobs today and
350 manufacturing jobs into the future. But we have a lot more
351 work to do because the supply chain crisis may long -- no
352 longer be front-page news but serious supply chain
353 vulnerabilities persist.

354 The Biden administration's 100-day supply chain review
355 found that manufacturing supply chains instrumental to our
356 national security and economic welfare remain vulnerable to
357 disruption, strain, compromise, and elimination. These
358 vulnerabilities are industry-wide and affect every American.
359 The Department of Defense warns that the decline in domestic
360 manufacturing capability could result in a growing and
361 permanent national security deficit that presents challenges
362 to our military and technological supremacy.

363 Fortunately, Representatives Blunt Rochester, Dingell,
364 Kelly, and Wild have introduced the Supply Chains Act,
365 legislation that builds on their bipartisan supply chain work
366 from last Congress. As Representative Lisa Blunt Rochester
367 has already explained, this vital legislation improves supply

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368 chain resilience and strengthens our Nation's economic
369 vitality and national security. Over 160 stakeholders,
370 manufacturers, innovators, workers, consumer groups, local
371 governments endorsed their supply chain legislation.

372 That is broad support, and that is why I am disappointed
373 that our Republican colleagues refused to include the Supply
374 Chains Act on this legislative hearing. Again, if beating
375 China was not just a slogan for House Republicans, they would
376 have included this important supply chain legislation on
377 today's hearing. It is important that we have this
378 discussion.

379 Unfortunately, Representative Bucshon's discussion draft
380 is not nearly as comprehensive as the Supply Chains Act and
381 would therefore leave our Nation vulnerable to further supply
382 chain disruptions by our adversaries like China. We must
383 heed the lessons learned from the supply chain crisis and
384 ensure that the Federal Government is equipped with the tools
385 and authorities needed to address supply chain
386 vulnerabilities before they become a full-blown crisis, and
387 that is what the Supply Chains Act does.

388 So I am hopeful that this hearing will renew productive

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389 bipartisan negotiations.

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

391

392 *****COMMITTEE INSERT*****

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394 *Mr. Pallone. And with that, Mr. Chairman, I yield
395 back.

396 *Mr. Bilirakis. I thank the ranking member. He yields
397 back.

398 Our first witness is Justin Slaughter, Policy Director
399 at Paradigm. Sir, you are recognized for five minutes.

400

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401 STATEMENT OF JUSTIN SLAUGHTER, POLICY DIRECTOR, PARADIGM;
402 SCOTT PAUL, PRESIDENT, THE ALLIANCE FOR AMERICAN
403 MANUFACTURING; DEENA GHAZARIAN, FOUNDER AND CHIEF EXECUTIVE
404 OFFICER, AUSTERE; AND CHRIS GRISWOLD, POLICY DIRECTOR,
405 AMERICAN COMPASS

406

407 STATEMENT OF JUSTIN SLAUGHTER

408

409 *Mr. Slaughter. Subcommittee Chair Bilirakis,
410 Subcommittee Ranking Member Schakowsky, Chair McMorris
411 Rodgers, and Ranking Member Pallone, thank you for inviting
412 me to testify this morning on such an important topic.

413 My name is Justin Slaughter and I am Policy Director at
414 Paradigm, a research-driven technology investment firm that
415 focuses on crypto and related frontier technologies.
416 Previously, I served in the SEC at the start of the Biden
417 administration as Director of the Office of Legislative
418 Affairs and Senior Advisor to the Acting Chair Allison Herren
419 Lee, and in the CFTC at the end of the Obama administration
420 as Chief Policy Advisor and Special Counsel to Commissioner
421 Sharon Bowen. I also served as counsel to Senator Ed Markey

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422 in both the Senate and here in the House.

423 As we sit here today, crypto is rapidly forming the
424 foundation for the future of commerce and social
425 coordination, and I believe it can help solve many of the
426 challenges discussed during today's hearing and more. I am
427 heartened by the work this committee and others are doing to
428 understand crypto and blockchains.

429 Jurisdictions around the world, allies and geopolitical
430 adversaries, are further along than America in developing
431 deliberate national strategies for harnessing the power of
432 blockchains and crypto. The EU and the UK are well on their
433 way toward establishing regulatory frameworks. Japan and
434 Singapore have in place a clear structure for companies
435 issuing stable coins, including those denominated in U.S.
436 dollars. And China is marshalling resources across the
437 government to support blockchain technology as a tool for
438 geostrategic competition.

439 It is not too late for us to catch up, but we have to
440 get our act together, and today's hearing is an important
441 step in that direction. At base, blockchains are a special
442 type of shared database that enable the creation of unique

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443 non-duplicable digital items. Blockchains do this by
444 maintaining records of digital information ownership and
445 replicating those records across multiple computers called
446 nodes.

447 Fixed rules, known as protocols, define activity,
448 incentives, and updates with the nodes and the network all
449 having to agree on each addition of information to the shared
450 database. Technological primitives, like cryptography and
451 peer-to-peer messaging, ensure that the entire system
452 functions according to those protocols. These webs of nodes,
453 protocols, and primitives give rise to systems that can be
454 used for a variety of functions, from the creation of truly
455 digital peer-to-peer money to the formation of new online
456 communities with their own embedded governance mechanisms.

457 Whereas, the laws of physics define scarcity in the
458 world of atoms, the world of bytes was previous
459 unconstrained, making it nearly impossible to trustlessly
460 enforce digital property rights. While reproduction and
461 distribution is helpful for certain uses, like sharing
462 photographs and written documents, unique items require
463 mechanisms that limit supply. With crypto, it is now

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464 possible to own and control scarce digital objects and track
465 their provenance across time and space without the need for a
466 centralized entity. This includes money, art, and digital
467 representations of physical items.

468 You can therefore see how these characteristics could
469 help solve critical problems in the world of supply chain
470 management where the inability to trace the origins and
471 authenticity of physical items, harms consumers,
472 manufacturers, and more. For example, counterfeit goods on
473 Amazon erode the value of American brands and impose higher
474 costs on entrepreneurs and the consumers that buy their
475 products. Similarly, manufacturers of complex products like
476 computer hardware, often assembled from hundreds or thousands
477 of component parts, frequently struggle to manage data
478 records across suppliers in different locations.

479 This is not just a consumer or business issue. A core
480 aspect of securing critical infrastructure from adversarial
481 nation states and other malicious threat actors involves
482 being able to confidently track the movements of component
483 parts. As for our government itself, the U.S. Air Force has
484 a blockchain-based supply chain project called BASECAMP,

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485 which helps the Air Force ensure timely and secure
486 manufacturing of its essential equipment and provide a
487 reliable supply of needed parts for maintenance, supporting
488 the ongoing operations of our military globally.

489 How can the government therefore continue to play a role
490 in supporting crypto and blockchain technology? The National
491 Cybersecurity Center of Excellence at NIST and the Department
492 of Commerce has already been engaged in research on the use
493 of blockchains for supply chains and manufacturing research.
494 We welcome these efforts and think NIST engagement and
495 research needs to be only the tip of the iceberg.

496 More constructive engagement is needed between the
497 private sector and the government on these topics, especially
498 within the Commerce Department, but also more broadly. We
499 also need more expertise within the government on these
500 topics. Like many expertises (sic), crypto is not a topic
501 that is easily learned, but determined study yields vast
502 rewards. Similar to other emerging technologies, crypto, and
503 blockchain, and the companies building in the space need to
504 be appropriately fostered and given clear rules of the road
505 to operate.

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506 The future that crypto can help build is clear. It can
507 help make our supply chains more resilient while also keeping
508 the -- this nascent technology headquartered here in America.
509 Crypto can also offer increased economic opportunities for a
510 variety of industries and communities as well as increase the
511 transparency of it and access to our financial system.

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

513 [The prepared statement of Mr. Slaughter follows:]

514

515 *****COMMITTEE INSERT*****

516

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517 *Mr. Bilirakis. Thank you, sir. Appreciate that.

518 Our next witness is Scott Paul, President of the

519 Alliance for American Manufacturing. You are recognized for

520 five minutes. Thank you.

521

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522 STATEMENT OF SCOTT PAUL

523

524 *Mr. Paul. Thank you, Mr. Chairman, Ms. Schakowsky, and
525 members of the subcommittee. We appreciate the opportunity
526 to testify today.

527 Supply chains are taken for granted when they work
528 perfectly. However, when they break down, supply chains can
529 cause widespread damage to our economy, jobs, and national
530 security. While the acute supply chain crisis that hit hard
531 over the past three years is mostly in the rearview mirror,
532 we must understand three things as we look ahead.

533 First, there is certain to be another disruption,
534 although we cannot predict how, where, or when it may arrive.
535 Second, many of our supply chains are still incredibly frail
536 and not yet derisked, decoupled, localized, or sufficiently
537 resilient. Third, while some progress has been made in
538 identifying assets and vulnerabilities through this
539 administration's supply chain review efforts, the Federal
540 Government still does not currently have the complete set of
541 tools and authorities to identify, prevent, and mitigate
542 supply chain vulnerabilities before they spiral out of

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543 control.

544 The United States continued reliance on China for
545 critical supply chains is a significant danger for our
546 economic and national security. We should no longer question
547 whether China will weaponize its supply chains and our
548 reliance upon them to its advantage. The CCP has already
549 demonstrated an ability and a willingness to do just that.

550 Our vulnerabilities reflect an outdated notion of the
551 benefits of hyper-globalization which has caused damage to
552 consumers, workers, domestic businesses, and our national
553 security. We must break the vicious cycle of implementing
554 policies that reward imports over domestic production, but
555 the idea is not to build a wall around America or to seek
556 autarchy, rather we must build more domestic capacity in
557 critical manufacturing sectors and consider localization of
558 supply chains of best practice.

559 Holding this hearing and examining this legislation is
560 by itself an acknowledgement that supply chain resiliency is
561 not a challenge that the private sector alone can fix. There
562 is an appropriate role for government to provide leadership
563 coordination and supportive policy framework, and if

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564 necessary, grants loans and other forms of federal assistance
565 directed to expand domestic production where the
566 vulnerabilities are most critical.

567 This policy idea is as old as our Nation. Washington
568 and Hamilton, Lincoln, FDR, Reagan, and others all recognized
569 this and proposed action. It is worth noting that this
570 American idea of policy support for domestic industry is
571 about as far away as one can get from the state control we
572 see in China. The supply chain bill before us today is an
573 important starting point for legislation that can be made
574 more effective by adding common sense improvements to fully
575 address the challenges facing our Nation.

576 And on that note we wish to direct your attention to
577 several important policy provisions found in Representative
578 Blunt Rochester's legislation, the Supply Chains Act, which
579 deserve the attention of the subcommittee. These
580 enhancements would be particularly valuable for small and
581 mid-sized manufacturers which make up the bulk of the
582 industry. The Federal Government needs a dedicated office
583 with the necessary clout to direct supply chain efforts and
584 to implement a comprehensive and coordinated supply chain

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585 strategy.

586 The Federal Government should provide coordination for
587 the private sector by creating voluntary standards and best
588 practices that can be used to address supply chain
589 vulnerabilities. And capitalizing a robust supply chain
590 resiliency fund can provide financial assistance where there
591 is a demonstrated need. At a minimum, Congress should
592 commission an independent study to determine whether grant
593 and loan making authority is warranted.

594 We are deeply concerned that the pending legislation
595 eliminates government consultation activities with America's
596 workers. The Alliance for American Manufacturing is a labor
597 business partnership, and I can speak with firsthand
598 knowledge that giving both companies and workers a voice
599 greatly enhances the work of building a policy framework to
600 revitalize American manufacturing. Some of the best ideas
601 come straight from the workers on the shop floor.

602 We look forward to working with you to enact policies to
603 make our supply chains more resilient, localized, and
604 derisked. I am bullish on the future of American
605 manufacturing, particularly with the proper policy support

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606 from Congress. Thank you.

607 [The prepared statement of Mr. Paul follows:]

608

609 *****COMMITTEE INSERT*****

610

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611 *Mr. Bilirakis. Thank you so very much.

612 Our next witness is Deena Ghazarian, Founder and Chief

613 Executive Officer of Austere. You are recognized, ma'am, for

614 five minutes.

615

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616 STATEMENT OF DEENA GHAZARIAN

617

618 *Ms. Ghazarian. Thank you, Chairperson, and thank you
619 to the subcommittee for having me here today.

620 Good morning. My name is Dina Ghazarian, and I am the
621 founder and CEO of Austere, a tech accessories company. I
622 have more than 25 years of experience driving top consumer
623 technology and fashion brands. I have also served as the
624 Vice Chair of the executive board of the Consumer Technology
625 Association.

626 Let me tell you a little bit about my company. In 2018,
627 I began discussions with retailers and partners about
628 addressing a gap in the home theater marketplace. High-end,
629 beautifully designed HDMI cables, surge protectors, and
630 cleaning products. I focused on finding contract
631 manufacturers that could meet my very stringent design and
632 quality requirements. These manufacturers largely exist in
633 China given its extensive manufacturing and testing ecosystem
634 that has been developed over many years.

635 In 2019 at CES at the annual technology show in Las
636 Vegas, I locked up all of my suppliers, capital, and partners

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637 and launched our brand Austere. Little did I know that
638 massive U.S. tariffs would -- on my products were around the
639 corner. In 2018, the Trump administration imposed a 10
640 percent tariff on 200 billion in imports from China
641 encompassing all of my products. My company's scarce capital
642 had to be reallocated quickly to cover these new expenses.
643 The next year, the tariff rate increased to 25 percent,
644 placing even more pressure on my very young company.

645 To be clear, I'm the one who paid the tariffs. China
646 did not. I had to absorb these costs of the tariffs to avoid
647 pricing my products out of the competitive accessories
648 landscape. To mitigate the supply chain disruption, I sought
649 new suppliers outside of China, but shifting supply chains is
650 not costless and definitely does not happen overnight. With
651 much effort and resources, I found new manufacturers in other
652 countries to meet my design and quality requirements. I was
653 not able to abandon China entirely, but I have shifted 70
654 percent of my manufacturing to other countries.

655 Our challenges continued with the onset of the COVID-19
656 pandemic. The United States Congress and Trump
657 administration helpfully offered the Paycheck Protection

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658 Program and I took advantage of it. For my company, the PPP
659 loan served to offset my tariff payments. It would have been
660 more efficient to repeal the tariffs entirely, which would
661 have lessened the need for the companies to seek government
662 resources like mine to stay alive.

663 As the U.S. economy rebounded from COVID and consumers
664 increased their demand for technology products for their
665 homes, shipping costs jumped to historic levels and delivery
666 times increased due to backlogs at many of the ports. The
667 cost to ship products from Asia to the United States became
668 prohibitively expensive.

669 To get my products delivered to the market on time, I
670 pivoted yet again. I ship my products to the lower coast --
671 lower cost Port of Savannah. This pivot helped stabilize my
672 cost, keep Austere competitive, and maintain our foothold in
673 the United States market. I did not seek these challenges
674 but confronted them as a founder and leader. These
675 experiences taught me valuable lessons and equipped me to
676 build efficient and resilient supply chain programs while
677 keeping costs low.

678 Aside from the PPP program, I had no support from the

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679 government to help me navigate Austere's challenges. The
680 United States government offered no sympathy to startups who
681 were harmed by the Section 301 tariffs. Our only avenue of
682 relief was the arcane, nontransparent, and highly uncertain
683 product exclusion process run by the USTR. We did apply for
684 exclusions but never received any feedback from the USTR
685 after it denied our exclusion requests, leaving us feeling
686 like adversaries rather than the United States headquartered
687 company employing Americans and innovating new products here
688 in the United States.

689 Considering these experiences, I offer the following
690 recommendations. First, the United States Department of
691 Commerce, USTR, and other agencies should express empathy for
692 startups that face supply chain challenges and treat us as
693 partners and offer tangible support. Money alone is not
694 always the solution and often active listening and hands on
695 guidance make an even stronger impact.

696 Second, Congress should exert its strong jurisdiction
697 over trade policy. The Section 301 tariffs remain a burden
698 on U.S. companies. Congress should urge the administration
699 to end these ineffective and harmful tariffs which make our

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700 supply chain less resilient.

701 Third, Congress can call on the administration to
702 reorient its trade policy to negotiate comprehensive binding
703 and enforceable free trade agreements with U.S. allies and
704 other key trading partners.

705 And fourth, ocean shipping reform is also critical.
706 Last year Congress passed and President Biden signed the
707 bipartisan Ocean Shipping Reform Act to stop predatory and
708 harmful practices by foreign ocean shippers. Now Congress
709 should pass the Ocean Shipping Reform 2.0 Act and strip the
710 ocean shippers' outdated antitrust exemptions to promote more
711 competition.

712 Finally, Congress should quickly move forward with a new
713 customs modernization bill focusing on facilitating trade and
714 reducing trade costs.

715 I appreciate the opportunity to testify and I eagerly
716 await your questions.

717 [The prepared statement of Ms. Ghazarian follows:]

718

719 *****COMMITTEE INSERT*****

720

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721 *Mr. Bilirakis. Thank you so very much.

722 Our final witness is Chris Griswold, Policy Director at
723 American Compass. You are recognized, sir, for five minutes.
724 Appreciate it.

725

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726 STATEMENT OF CHRIS GRISWOLD

727

728 *Mr. Griswold. Mr. Chairman, Ranking Member Schakowsky,
729 thank you so much. Members, thank you for this hearing.

730 My name is Chris Griswold. I was previously a Senior
731 Policy Adviser to then Chairman Marco Rubio of the Senate
732 Small Business Committee, and I am now the Policy Director at
733 American Compass, a conservative economic policy think tank
734 dedicated to restoring an economic consensus that emphasizes
735 the importance of family, community, and industry to the
736 Nation's liberty and prosperity. My testimony today concerns
737 the last of those points, industry.

738 The old Washington economic consensus that drove the
739 industrialization whereby policymakers looked on and
740 sometimes even applauded as production was offshored is now
741 under intense and justified scrutiny. Many policymakers,
742 including the members of this subcommittee, have come to
743 understand the importance of a new approach, but it is hard
744 to chart a new course without first getting one's bearings.
745 That is my basic message to the subcommittee.

746 On the way to answering the question what should we do

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747 to strengthen supply chains, policymakers must also grapple
748 with the questions, where are we now, in fact, and how did we
749 get here. The most recent serious federal effort to map the
750 state of American supply chains began in February 2021, and
751 when the administration began its 100-day supply chain
752 review, which was followed by longer cabinet-level supply
753 chain reviews across key sectors. This represented a
754 commendable and useful step, but it also offers two key
755 lessons for doing good supply chain analysis at the federal
756 level.

757 The first lesson is that definitional murkiness can
758 allow politics to hijack the exercise. In the
759 administration's effort, different reports used the term
760 supply chain resiliency differently invoking the term without
761 consistent -- consistently defining it. Thus, in some cases,
762 it ends up meaning my preferred good job strategy, or my
763 preferred environmental policy agenda, or my preferred
764 approach to international relations. And we learned that we
765 need a clear and sharp definition to prevent other political
766 priorities from skewing the exercise, otherwise the term
767 supply chain resilience risks becoming just another term we

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768 use to wage partisan battles over other priorities.

769 The second lesson is that not being honest about how we
770 got here will keep our diagnosis limited and our solutions
771 too narrow. What most differentiates the quality of each of
772 the departmental reports in the administration's exercise
773 last year is the degree to which they honestly confront the
774 economic history behind our current supply chain fragility.
775 The Department of Defense's report I think offers the best,
776 most commendable example of how to do this right.

777 The report highlights the decline in private sector
778 capital investment that hollowed out the American defense
779 industrial base and defense supply chains. It points to
780 international competition, for example, China's lower
781 production costs which made importing materials more
782 profitable than producing them domestically and which reduced
783 the likelihood of U.S. private capital investment. Any
784 constructive diagnostic effort will require a similarly hard
785 look.

786 Such an analysis will need to be honest about the fact
787 that over the last 40 years the United States has suffered
788 from declining domestic investment and a pattern of

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789 offshoring production. The United States thus came to depend
790 on foreign nations, even adversaries like China, which has
791 repeatedly proven willing to weaponize economic
792 interdependence for our critical goods and inputs. These
793 market trends were permitted and encouraged by policy,
794 especially the liberalization of foreign trade culminating
795 with China's entry into the WTO and the liberalization of tax
796 and regulatory policy in the domestic sphere, which while
797 arguably promoting economic dynamism for a time, ultimately
798 has discouraged long-term domestic investment.

799 Strengthening supply chain resiliency will require us to
800 give the private sector a different and better policy
801 environment that offers enhanced sharing -- information
802 sharing on threats and best practices, in due course,
803 appropriate and adequate support for critical industries, and
804 guardrails against acting contrary to American interests. A
805 standing capacity to monitor and map the state of American
806 supply chains is a good place to start.

807 The bill before the committee rightly offers a sharp
808 definition of supply chain resilience, the ability of the
809 United States to sustain critical industry and emerging

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810 technology production by recognizing that some industries are
811 in fact more critical than others for American prosperity and
812 security. The bill expresses the emerging conservative
813 consensus that policymakers making active judgments about
814 what kind of economic activity promotes the national interest
815 does not violate free market principles. In fact, defending
816 the free market requires policymakers to make such judgments.

817 And finally, by requiring the proposed program to report
818 to Congress an assessment of policies, rules, and regulations
819 that impact the ability for domestic manufacturing to
820 compete, the bill expresses an understanding that a wide
821 range of policy decisions drove this problem and that a wide
822 range of policy changes are needed to get us out.

823 I urge this subcommittee to continue its very important
824 discussions and negotiations, and I thank you very much for
825 your attention.

826 [The prepared statement of Mr. Griswold follows:]

827

828 *****COMMITTEE INSERT*****

829

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830 *Mr. Bilirakis. Thank you very much. I thank all the
831 presenters today.

832 I will begin the questioning and recognize myself for
833 five minutes. I will start with Mrs. Ghazarian. You have a
834 beautiful American story, by the way.

835 *Ms. Ghazarian. Thank you.

836 *Mr. Bilirakis. I read your testimony. I understand
837 you are Lebanese?

838 *Ms. Ghazarian. I am Lebanese.

839 *Mr. Bilirakis. You are Lebanese descent?

840 *Ms. Ghazarian. Yes.

841 *Mr. Bilirakis. Married to an Armenian?

842 *Ms. Ghazarian. I am.

843 *Mr. Bilirakis. Yeah, that is wonderful. And have
844 raised children with special needs?

845 *Ms. Ghazarian. I did. My youngest has special needs.

846 *Mr. Bilirakis. What a wonderful role model you are.

847 *Ms. Ghazarian. Oh, well thank you.

848 *Mr. Bilirakis. It is true. I am sure there is a lot
849 we can learn from you beyond supply chain, of course, but we
850 will stick to the subject matter today. Can you tell us a

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851 bit about what it means to be an entrepreneur in this country
852 and what we can learn about how business can benefit from the
853 government as a resource of information, and I know you --
854 maybe you can expand upon that, as opposed to picking winners
855 and losers in the economy?

856 *Ms. Ghazarian. Yes. Thank you for the question. So I
857 am lucky, I come from a family of entrepreneurs and just
858 about everywhere I have worked there has been some sort of
859 spirit of entrepreneurship that I have been able to learn
860 from. So when I took my first step to actually open up my
861 own business and create something, the excitement that was
862 there really kind of drove me to make something and make
863 something important that I can show my family and show really
864 our industry what could be done with a lot of focus and
865 effort.

866 The -- a lot of my partnerships and networking is what
867 really allowed me to learn from what to do and where to go.
868 So the private sector and that participation definitely drove
869 us into how we set up our business model. 25 years of
870 experience in the consumer technology space allowed us to be
871 able to learn and utilize those relationships. A good

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872 portion of them, especially when it came to manufacturing
873 being developed in the ecosystem of China, that ecosystem
874 that was in existence, I had been working with them for
875 years. So when it came time to start our new business and to
876 use quality manufacturing of people who would meet standards,
877 that would meet my level of product, was absolutely who we
878 wanted to partner with to build the business.

879 I would say what was interesting about being a first-
880 time entrepreneur is starting at what was I think a very easy
881 time to get into the business because of the network that
882 existed and the ecosystem that existed, and then in the first
883 three years of being in a business having all of that turned
884 upside -- you know, turned upside down on its head to learn
885 from. There was a lot of places we tried to go to be able to
886 be as nimble and fast as we could to stay alive.

887 I would say a lot of our effort within the supply chain
888 sec -- on the private sector side through our third-party
889 logistics provider that gave us information such as you can
890 open up duty-free facilities to be able to hold on paying
891 tariffs right away so you can extend your cashflow,
892 leveraging -- because the majority of my business is on the

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893 East Coast, leveraging East Cost facility, the East Cost Port
894 of Savannah to be able to bring goods in and have a quick
895 turnaround time versus working through the behemoth at the
896 West Coast, and in my neck of the woods in Los Angeles.

897 Those -- that information and those efforts is what kept
898 us alive and nimble during probably one of the most trying
899 times ever to be an entrepreneur.

900 *Mr. Bilirakis. Absolutely. Thank you very much.

901 *Ms. Ghazarian. You're welcome.

902 *Mr. Bilirakis. You know, I would like to talk to you
903 personally, but I want to get to these questions.

904 *Ms. Ghazarian. You got it.

905 *Mr. Bilirakis. But very informative.

906 Mr. Slaughter, I know you work for a former alumni of
907 this committee and Senator Markey. You are an expert in
908 blockchain technology I understand, including cryptocurrency.
909 I hope you agree that the currency discussion is just one
910 aspect of this generation technology. Can you translate for
911 us how blockchain and distributed ledger technologies can be
912 applied to our topics today, please?

913 *Mr. Slaughter. Absolutely, and I will absolutely try

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914 to do that. This is a very opaque topic I know. The way to
915 think about distributed ledger technologies is that they are
916 fundamentally information networks that allow for many
917 different people collectively to access information in a
918 decentralized fashion but in a trusted fashion.

919 The great example I give is many of the members on this
920 committee I am sure are familiar with dear colleague letters.
921 Part of the problem with dear colleague letters, as you all
922 know, is as you are circulating for signatures, you have to
923 have your own office control access to the letter itself,
924 otherwise edits get made without your knowledge, parts are
925 deleted, it is chaos.

926 We have found that traditionally in centralized settings
927 you can have things be either decentralized where many people
928 have access, you can have things easily change quickly, or
929 you can have things that are trusted, but you can't have all
930 three. Blockchains allow for all three. You can have many
931 different people accessing a network, you can have a
932 consensus mechanism confirming authenticity and voracity, and
933 you can have changes done frequently and quickly. That is
934 the basic theory behind distributed ledger technology and

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935 blockchains of which crypto is also a part.

936 *Mr. Bilirakis. I wish we had more time. Yeah, I am
937 going to have to -- my time has expired. I will submit the
938 questions for the record.

939 But I will recognize now the ranking member of the
940 committee, Ms. Schakowsky, for her five minutes of
941 questioning.

942 *Ms. Schakowsky. Thank you. I have a series of
943 questions for Mr. Paul, and they deal really with the issues
944 of workforce, and I wanted to talk to you on -- don't you
945 think that considering the workforce is very important in
946 supply chain resiliency?

947 *Mr. Paul. Thank you for the question, Ms. Schakowsky.
948 I think considering the interest and the needs of the
949 workforce and hearing their voices is essential. Any small
950 and midsize manufacturer will tell you that their most
951 valuable asset is their workforce, and the knowledge that
952 that has, and the intangible benefits of that are
953 extraordinary.

954 Second, we know from our supply chain disruption
955 experiences that considering the work -- the voices of

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956 workers is critically important. During COVID when it spread
957 through meatpacking facilities, which was not -- again, not a
958 workforce-driven but a company-driven exercise, it caused a
959 lot of damage to supply chains and to health. And so
960 considering the voices of those workers is going to make it
961 more successful that way.

962 *Ms. Schakowsky. And should the Department of Commerce
963 consult with organized labor, with workers as we go forward
964 to map and monitor the supply chain?

965 *Mr. Paul. Yeah, I would -- I will just say in my
966 experience that having the voice of unions is essential. I
967 mean, you may have political disagreements with unions but
968 having the voice is essential. We operate as a labor
969 business partnership. We have big steel companies, big other
970 manufacturing companies and the United Steelworkers sitting
971 at the same table solving problems, and we are able to do
972 that far more effectively than when you are leaving one of
973 the key stakeholders out.

974 *Ms. Schakowsky. I mean, I think if we talk about
975 inclusion of all of the stakeholders that we need to talk
976 about labor as well.

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977 I wanted to ask you, has the gig economy always been a
978 -- have a positive effect on workers?

979 *Mr. Paul. I will say that is a very good question. It
980 is still a emerging economy. I am happy to say that in
981 manufacturing, where most workers are permanent employees and
982 -- rather than contractors, that it is not a big of an issue.
983 But I will also say that in my experience, we know of gig
984 work that pays subminimum wage, if you cost it out per hours
985 worked, and I think that needs to be -- that needs to be a
986 big consideration.

987 It can have some benefits, like flexibility and
988 entrepreneurship, but it can also have some serious concerns
989 with respect to wages, with respect to benefits, and it can
990 put downward pressure then on the incomes that you might find
991 in certain communities, and I think that aspect of it needs
992 to be studied very, very carefully.

993 *Ms. Schakowsky. I appreciate that so much. Should the
994 effect on these gig workers be considered when we talk about
995 any federal study?

996 *Mr. Paul. Yes. Again, I think that is important. One
997 of the other aspects of this, Ms. Schakowsky, is within the

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998 gig economy, those workers aren't particularly have a unified
999 voice, and so I think understanding and having that
1000 perspective is going to be vital, both in terms of are they
1001 being properly classified, are they earning what is the
1002 equivalent of a minimum wage, a living wage, or even a
1003 thriving wage, what is the relative level of security when it
1004 comes to healthcare, or housing, or childcare compared to
1005 workers in other sectors. I think having that understanding
1006 is going to be essential to having a full picture of the gig
1007 economy.

1008 *Ms. Schakowsky. Again, asking about the gig economy,
1009 has there been job displacement because of the experience of
1010 gig workers?

1011 *Mr. Paul. There undoubtedly has. You look at modes of
1012 transportation and mobility and how that has changed, and
1013 that certainly disrupted that industry. You have seen it in
1014 hospitality as well.

1015 And so I think understanding the macro impacts of that
1016 is going to be important, not only looking at some of the
1017 advantages of gig work when people want flexible schedules or
1018 what have you, but I think understanding the impact that it

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1019 is having on specific sectors is going to be vital for
1020 policymakers to understand to make policy choices.

1021 *Ms. Schakowsky. Well, I really appreciate this
1022 testimony. We want to make sure that all of the players are
1023 included in the analysis of supply chain issues. Thank you.

1024 *Mr. Bilirakis. The gentlelady yields back, and I will
1025 now recognize the chairperson of the full committee, Mrs.
1026 Rodgers, for her five minutes of questioning.

1027 *The Chair. Thank you, Mr. Chair.

1028 Mr. Griswold, thank you for your testimony. I am
1029 summarizing a bit here from your written statement, but you
1030 essentially said, just like infrastructure, supply chain
1031 resiliency has become a buzz word and that it risks losing
1032 its meaning to justify other policy goals. And I think it
1033 perfectly explains how a sensible consensus proposal last
1034 Congress turned into a multi-billion-dollar handout.

1035 As you referenced the all of -- all or nothing approach,
1036 can you explain why it is dangerous to massively spend on
1037 varied objectives without first even examining the problems
1038 that we are trying to fix?

1039 *Mr. Griswold. Thank you very much for the question. I

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1040 think in my mind it is a sequencing question. That, yes, of
1041 course, landscape awareness must come first, both
1042 chronologically and logically. You have to know the problem
1043 that you are dealing with before you can adequately address
1044 it with other policy measures. So I would absolutely agree,
1045 I think with what I take to be the spirit of your question
1046 which is that clear and accurate mapping and monitoring is,
1047 of course, the right place to start.

1048 My own organization has endorsed ideas for appropriate
1049 ways to support critical industry. A national development
1050 bank, for example, might be a good idea down the road. We
1051 know that when it comes time, for example, for American
1052 entrepreneurs and innovators to commercialize their products
1053 at scale, they often have to leave the United States due to
1054 financing concerns and other economic pressures.

1055 So in -- as a general matter, yes, in my view, there is
1056 a place for adequate and appropriate support, but that needs
1057 to follow awareness of the problems that that support can be
1058 wisely directed, in my view.

1059 *The Chair. Thank you.

1060 Mrs. Ghazarian, I thank you for being here sharing your

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1061 insights and your impressive life story. Your candor on your
1062 work with supply chains in China is very helpful to this
1063 committee. And while we have many concerns about how China
1064 can manipulate our children through apps like TikTok or how
1065 the CCP is moving full steam ahead to beat America in the
1066 deployment of emerging technologies, we know that there is
1067 numerous sectors that remain linked to this region.

1068 Understanding a business rationale for sourcing from
1069 China can be important in America's fostering greater chances
1070 to onshore or friendshore our supply chains and
1071 manufacturing. Would you walk the committee through your
1072 thought process on this and how we can foster more
1073 opportunities for businesses, and what are the obstacles you
1074 face to do more business here in the U.S.?

1075 *Ms. Ghazarian. You got a great question. So I am an
1076 American company, and as an American company, if I could
1077 bring my business back here within reason that would actually
1078 allow me to make my quality products at the safety levels
1079 that I need to provide for the consumers, I would absolutely
1080 do it.

1081 I would say it has been a very interesting learning

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1082 experience over the last three years to understand how to
1083 remove yourself from a country that is very established when
1084 it comes to manufacturing and to shift. A lot of the
1085 development work that we could do immediately was in other
1086 Asian countries because the network was set up honestly as a
1087 sub-network I think to China originally, so it allowed us the
1088 ability to shift and move to Taiwan for certain products and
1089 Vietnam more recently now for others.

1090 We have done a lot of homework in regards to Mexico.
1091 Mexico would be the ideal place to immediately bring
1092 production for me. Even more so, because of the fact it is
1093 quick, and it is simple, and from a competitive standpoint,
1094 it would allow me to bring goods into the country one to two
1095 weeks after done -- being produced versus four to six weeks
1096 when it comes to shipping in containers and bringing it here.

1097 So the problem with Mexico right now is as much as there
1098 is an establishment to be able to build the goods as long as
1099 you can put them together, you still need the parts from all
1100 over the world in order to be able to build my type of
1101 products. So there is still the effort of trying to work
1102 through production and bringing the products into Mexico to

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1103 be able to do that versus leveraging resources in the country
1104 itself. So if there is a way to partner with our trade
1105 partnering companies -- or countries like Mexico to get those
1106 resources and help build a quicker supply chain, I guarantee
1107 you most small businesses like mine would shift immediately
1108 because of the competitive landscape as well as keeping costs
1109 down.

1110 *The Chair. Thank you. Would you just speak
1111 specifically about the obstacles to actually doing more
1112 business here in the U.S.?

1113 *Ms. Ghazarian. Absolutely. So the cost to actually
1114 leverage labor resources here in the United States is
1115 astronomical. I will give you a great example. I make a
1116 fantastic cleaning product. That cleaning product has a lot
1117 of value that allows us to be at a more competitive price
1118 point with my competition. If I were to actually figure out,
1119 and I tried multiple times, to source that product here, to
1120 have it be a Made in the USA product, it would double my
1121 costs which in turn would double my retail and would actually
1122 take me out of the market completely for that product.

1123 *The Chair. Thank you.

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1124 *Ms. Ghazarian. It is my number one selling SKU so --

1125 *The Chair. Thank you.

1126 *Ms. Ghazarian. Sure.

1127 *The Chair. Thank you for being here.

1128 *Ms. Ghazarian. Yes.

1129 *The Chair. Thank you all.

1130 *Ms. Ghazarian. Thank you.

1131 *The Chair. I yield back.

1132 *Mr. Bilirakis. Chairperson yields back. Now we will
1133 recognize the ranking member for his questions, Mr. Pallone,
1134 for five minutes.

1135 *Mr. Pallone. Thank you, Chairman Bilirakis.

1136 National crisis demands strong leadership and leadership
1137 capable of meeting the moment, overcoming bureaucratic
1138 impediments, and forming and maintaining lasting
1139 partnerships. During the pandemic, in the face of one of the
1140 Nation's worst supply chain crisis, there was no dedicated
1141 federal entity responsible for leading a government-wide
1142 response to supply chain shocks. The Biden administration
1143 had to create supply chain leadership on the fly, designating
1144 John Porcari to serve as its point person on port

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1145 disruptions, establishing supply chain task forces, and
1146 directing agencies with competing missions and limited
1147 resources to identify and address supply chain
1148 vulnerabilities.

1149 But we have to move away from crisis triage and
1150 transition to a more effective crisis prevention and
1151 management approach to supply chain vulnerabilities. And
1152 that is why I am a strong supporter of the Supply Chains Act
1153 legislation endorsed by over 160 stakeholders including
1154 manufacturers, innovators, workers, consumer groups, and
1155 local governments. This vital legislation recognizes the
1156 importance of a dedicated office and strong leadership at the
1157 Department of Commerce to spearhead a whole of government
1158 approach for preparing for and responding to supply chain
1159 shocks.

1160 So let me go to Mr. Paul. The supply chain discussion
1161 draft on today's hearing does not create an office helmed by
1162 an assistant secretary. Do you believe that identifying a
1163 dedicated office and assistant secretary to lead the
1164 Department of Commerce's supply chain work is important?

1165 *Mr. Paul. Thank you for the question, Mr. Pallone. I

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1166 do think it would be incredibly valuable to have an office
1167 and a dedicated assistant secretary. The Commerce
1168 Department, as you well know, is large, expansive, has many
1169 agencies working on many things, and it responds to crises.
1170 It was able to do that somewhat obviously during the last
1171 supply chain crisis. But having a permanent office there,
1172 both indicates a level of importance that policymakers are
1173 attaching to supply chain resiliency because of the economic
1174 costs of not doing so, number one.

1175 Number two, it also speaks volumes to manufacturers in
1176 the United States, and I think this is important. Over the
1177 years I have been doing this work, one of the most frequent
1178 complaints I have heard from small and midsize manufacturers
1179 when it comes to interacting with the government, and many
1180 have a distrust because of the nature of their enterprises,
1181 is that when they want something, they do not know where to
1182 go. They do not know where to go.

1183 And so having a place to go, both for voluntary
1184 standards and to understand what best practices are, I think
1185 would be incredibly helpful and would help to bridge beyond
1186 this effort from crisis to crisis to make it a permanent

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1187 fixture. And by the way, it would not be an outlier among
1188 our competitors, we would be just getting up to speed with
1189 what many of our competitors are doing right now.

1190 *Mr. Pallone. And so, Mr. Paul, as you say, many of our
1191 economic competitors have agencies and offices dedicated to
1192 supporting their manufacturing sector. I mean, do you think
1193 we are operating at a competitive disadvantage without a
1194 dedicated supply chain office at the Department of Commerce?

1195 *Mr. Paul. I think that we are operating with blinders
1196 on. I do. And I also think that we are undercapitalizing
1197 our manufacturing because we don't fully understand what some
1198 of the opportunities, what some of the vulnerabilities are.
1199 And particularly for Tier 3, Tier 4 suppliers where they
1200 could -- where they could potentially input into original
1201 equipment manufacturers. Germany, Japan. Again, there is
1202 things that we wouldn't want to replicate in those countries,
1203 but I think they have been able to punch above their weight
1204 from a manufacturing perspective, in part because they have
1205 been able to capitalize small and midsize manufacturers and
1206 they have paid attention to that.

1207 And that is something that, from time to time in our

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1208 country's past, we have done and that we need to restore that
1209 outlook rather than thinking that the invisible hand of the
1210 free market is somehow what is causing all -- what is causing
1211 an all determining of that. We should know that the actions
1212 of the Chinese Communist Party and deliberate policy choices
1213 matter far much more than any of those theories that have
1214 been put forward.

1215 *Mr. Pallone. Just quickly, Mr. Griswold, the Supply
1216 Chains Act commissions the new office to establish and update
1217 a government-wide strategy to counter threats to critical
1218 supply chains. Do you think such a strategy would be
1219 valuable? 20 seconds.

1220 *Mr. Griswold. As a general matter, yes, I think the
1221 more the Federal Government can do to offer a coherent
1222 economic diagnosis and a coherent economic plan to remedy
1223 that diagnosis, yes. I will remain tactfully agnostic as to
1224 the specific form that should take in the context of this
1225 hearing, but as a general matter, yes, of course.

1226 *Mr. Pallone. All right, thank you.

1227 Thank you, Mr. Chairman.

1228 *Mr. Bilirakis. The gentleman yields back. Now I will

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1229 recognize Dr. Bucshon for his five minutes of questioning.

1230 *Mr. Bucshon. Thank you, Chairman Bilirakis, Chairwoman
1231 Rodgers for calling today's hearing.

1232 I will comment a little bit on that issue, with all due
1233 respect, to the approach from my colleagues on the other side
1234 of aisle expanding an already bloated Federal Government will
1235 not address the supply chain issue, in my view. I suspect we
1236 already have dozens, literally dozens of federal agencies
1237 that can address this without adding another political
1238 appointee at the Department of Commerce.

1239 That said, we need to address it. The last few years
1240 have shown how supply chain shocks in sectors such as
1241 semiconductors and pharmaceuticals are having real impacts on
1242 the lives and livelihoods of people that I represent. In
1243 order to prepare for future shocks, policymakers and American
1244 businesses need to have reliable information on where our
1245 supply chain vulnerabilities are today, where they will be in
1246 the future, and what meaningful steps we can do to take to
1247 address them.

1248 I am proud to lead the draft legislation and work with
1249 Ms. Blunt Rochester that will establish a pair of programs

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1250 within the Department of Commerce without adding another
1251 political appointee, one program to promote resilient supply
1252 chains and respond to supply shocks and sectors relying on
1253 emerging technologies, and the other to promote the use of
1254 blockchain technologies and enhance public awareness of their
1255 uses.

1256 I will have to admit I don't understand blockchain.
1257 Does anybody? I don't know. Another -- that was a joke.

1258 Another key component of the bill is the establishment
1259 of a coordinated group made of private industry and federal
1260 agencies to identify and address supply chain
1261 vulnerabilities, gathering voluntary data from the private
1262 sector and sharing best practices on avoiding supply chain
1263 shocks.

1264 So, Mr. Griswold, in your testimony you mentioned that
1265 political priorities can skew policymakers' decisions when it
1266 comes to supporting and guiding our economy to avoiding
1267 supply chain shocks. Do you think that the coordination
1268 group established in the draft legislation would help guide
1269 policymakers away from such politically-driven decisions
1270 since we are combining the private sector as well as the

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1271 public sector? Just a general impression.

1272 *Mr. Griswold. Yeah, my general impression would be
1273 that the wider a net that this effort can cast, the better
1274 off it will be. The diversity of perspectives I think will -
1275 - can only be constructive.

1276 *Mr. Bucshon. Yeah, thank you.

1277 Mr. Slaughter, as this committee continues to work
1278 towards secure supply chains, I think industry stakeholders
1279 need to be confident that the information they submit to the
1280 Department of Commerce to monitor supply chains is secure.
1281 As a former staff member at agencies that handled extremely
1282 sensitive business information, do you believe current data
1283 protection protocols in place at the Department of Commerce
1284 are sufficient to ensure the protection of this extremely
1285 sensitive data?

1286 *Mr. Slaughter. That is a great question. I would say
1287 that in general you can always have more data protection.
1288 The problem of data fundamentally is that it is much easier
1289 to attack and hack it under traditional means than it is to
1290 defend it. This is a consistent rule.

1291 *Mr. Bucshon. Yeah.

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1292 *Mr. Slaughter. I remember once being told if
1293 cybersecurity was a risk -- you know, if it was a soccer
1294 game, it would be 270 to 269. That is part of the appeal of
1295 blockchains is because you have cryptography underlying it.

1296 *Mr. Bucshon. Yeah.

1297 *Mr. Slaughter. You can have additional protections in
1298 place for them.

1299 *Mr. Bucshon. Yeah, great. Are there -- and again
1300 following up, are there additional data security measures
1301 that could be applied to data that industry stakeholders
1302 submit to ensure they feel confident that their information
1303 will stay secure? And you already implied blockchain is one
1304 of the things, right?

1305 *Mr. Slaughter. That is one and there is also
1306 additional measures. The biggest issue, of course, for the
1307 government is always keeping up to speed with nascent
1308 technology, and it is understandable. Things move, the
1309 technology, the speed of Moore's Law, every 18 months you
1310 have a significant change in technological power. It is hard
1311 for the government to keep up. People are busy. That is
1312 part of the appeal of having people focused in the government

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1313 on nascent technology.

1314 *Mr. Bucshon. Yeah. And again as a follow up, and you
1315 may -- you have talked about this already, I think, but what
1316 are some of the specific uses of blockchain and other
1317 distributed ledger technologies that could help American
1318 producers resist supply chain shocks and become generally
1319 more resilient?

1320 *Mr. Slaughter. That is a great question. A lot of
1321 what you can see, is already happening is individual
1322 companies putting chips, putting, you know, information in a
1323 handbag, in a bottle of wine or whiskey. You then track the
1324 authenticity of that via the blockchain.

1325 You can also go across the entire supply chain and at
1326 every step of the way people have to confirm the step in
1327 place and then that information is locked in on the
1328 blockchain so you could see how everything happened across
1329 the spectrum from the beginning of an item being sourced in
1330 Africa and China all the way through to the purchase, and
1331 even resale of that item subsequently.

1332 Additional information means additional analytics and
1333 additional ways to track the status and antifragility of the

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1334 supply chain.

1335 *Mr. Bucshon. Is this, quickly, sort of an AI part of
1336 this?

1337 *Mr. Slaughter. There is a role for AI. There is often
1338 a lot of connections between AI quantum computing and
1339 blockchain, the OSTP, and the White House, all three are
1340 significant areas for American research.

1341 *Mr. Bucshon. Okay, thank you. I yield back.

1342 *Mr. Bilirakis. Thank you. The gentlemen yields back.
1343 Now I will recognize Ms. Castor, my fellow Floridian, for her
1344 five minutes of questioning.

1345 *Ms. Castor. Well, thank you, Chairman Bilirakis. This
1346 is an important hearing. And thank you to our witnesses for
1347 being here.

1348 It is an exciting time, too, because it was really just
1349 last year that these very important investments came to
1350 fruition when the Democrats passed the CHIPS and Science Act,
1351 the Bipartisan Infrastructure Law, the Inflation Reduction
1352 Act, and all of these together are really boosting America's
1353 competitiveness that is helping to grow the middle class to
1354 counter China as well.

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1355 The CHIPS and Science Act alone, I noted I just got a
1356 report, in the one year since the CHIPS Act was signed into
1357 law, companies have announced over 166 billion dollars in
1358 American manufacturing and semiconductors and electronics and
1359 at least 50 community colleges in 19 states have announced
1360 new or expanded initiatives to help American workers access
1361 good-paying jobs in the industry. In total since the
1362 beginning of the Biden/Harris administration, companies have
1363 announced over 231 billion in commitments in semiconductor
1364 and electronics investments.

1365 And when I was home this summer in Saint Petersburg, I
1366 met with two companies, one is Plasma Therm, they do
1367 semiconductors and advanced wafer processing. Jabil does
1368 advanced manufacturing, and supply chains, and high tech.
1369 And they said they really are now shifting a lot of their
1370 domestic manufacturing away from other international players
1371 like China, so that was good news.

1372 Then on the Infrastructure Law, the Port Tampa Bay is
1373 the largest port in Florida, it is critical to the movement
1374 of goods and supplies. And the Infrastructure Law now with a
1375 12 million dollar grant is going to help them build another

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1376 berth there so that they can unload -- load and unload
1377 another ship absolutely vital to delivering goods in -- for
1378 the entire State of Florida.

1379 And then the Inflation Reduction Act, which is our
1380 historic climate law, the New York Times reported just one
1381 week ago that this climate law and other parts of President
1382 Biden's agenda -- economic agenda have helped speed the
1383 development of automotive supply chains in the American
1384 Southwest, buttressing at traditional auto manufacturing
1385 centers in the industrial Midwest and Southeast. The law,
1386 which passed with only Democratic support, aided factory
1387 investment and conservative bastions like Tennessee and swing
1388 states of Michigan and Nevada.

1389 The law also helped underwrite new investments in
1390 electric cars, home solar panels in Florida, Arizona, and
1391 California. It said that the numbers show that actual, not
1392 announced, business and consumer investment in clean energy
1393 technologies hit 213 billion in the second half of 2022 and
1394 the first half of 2023. That was up from 155 billion the
1395 previous year and 81 billion in the first year of the data
1396 under President Trump.

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1397 So, Mr. Paul, are you surprised at the scope and breadth
1398 of these investments now and the reshoring of supply chains
1399 as a result of investing in America?

1400 *Mr. Paul. It is a good question, and I would say yes
1401 and no. I would say I am surprised because there was a lot
1402 of skepticism about what could happen. I am not surprised
1403 though because it respond -- it is in response to kind of one
1404 of those fundamental laws of economics that actors respond to
1405 incentives, and that is exactly what is happening here is
1406 that there is now an incentive to locate this type of
1407 production in the United States through a combination of
1408 offsetting capital costs through helping with workforce to
1409 having a procurement market and to having a balanced trade
1410 policy.

1411 And you have seen those dramatic shifts in
1412 semiconductors and microelectronics, you have seen it in many
1413 aspects of clean energy. The way in which this gets to the
1414 third and fourth tier suppliers that I think many folks are
1415 concerned about with supply chains is to build on that
1416 through supply chain legislation to keep the infrastructure
1417 investments that you are talking about because to have those

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1418 supply chains move without bottlenecks you need that
1419 investment. So I am glad there was 17 billion for ports and
1420 waterways, for instance, some of which is helping Tampa Bay.

1421 But we need to keep that momentum going. We have
1422 underinvested in our infrastructure and we have
1423 undercapitalized manufacturing for three decades. And quite
1424 honestly, we are playing catch up now. We are getting in the
1425 game with the rest of the world and we need to keep the
1426 momentum.

1427 *Ms. Castor. Thank you very much. I yield back.

1428 *Mr. Bilirakis. Okay, thank you. The gentlelady yields
1429 back. I now recognize the vice chairman of the committee,
1430 Mr. Walberg, from the great State of Michigan, for his five
1431 minutes of questioning.

1432 *Mr. Walberg. Thank you, Mr. Chairman, and thanks to
1433 the panel for being here.

1434 Being from the Auto State, and amid the ongoing UAW
1435 strike that we all are watching in the news, I am seriously
1436 concerned about how reliant we have become on China for
1437 critical components of our fleet. That reliance has gotten
1438 worse with the push for EVs and we have experienced it to the

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1439 extreme in Michigan.

1440 Mr. Griswold, in the Biden administration supply chain
1441 review, some agencies acknowledged the increasing competition
1442 with China, especially related to advanced batteries, yet
1443 there seems to be a lack of coordination and action at the
1444 agencies to address the problem with many of their policies
1445 pushing us to be more reliant on China not less, and we have
1446 seen that even in Marshall, Michigan with Ford Motor Company
1447 having to contract with a CCP-licensed company to provide the
1448 resources and the ability for an electric battery. How do we
1449 address this growing reliance and improve our battery supply
1450 chain, and secondly, are we hindering the potential of a
1451 domestic supply chain in favor of a faster EV transition?

1452 *Mr. Griswold. Thank you, Mr. Vice Chair, for the
1453 question. There is a few things I would say. The first you
1454 noted, I think quite rightly, some lack of coordination
1455 between federal agencies, which is one of the reasons why a
1456 standing capacity to do this kind of supply chain monitoring
1457 and mapping is so vital. And I recognize that there are
1458 ongoing discussions about whether that is a program or an
1459 office and so on, but having that standing capacity is

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1460 absolutely essential so that there is a mechanism for
1461 addressing that kind of discoordination. I think the
1462 structure of the federal government at the moment is not well
1463 suited to addressing the concern you raise.

1464 On the question of whether we are privileging a faster
1465 EV transition over building our own domestic supply, I think
1466 you are absolutely right to point to that tradeoff and it is
1467 one of the challenges I think that the current administration
1468 is facing. We heard just earlier from an earlier question,
1469 the IRA referred to as a climate bill rather than a
1470 industrial strength bill, for example, and I think that
1471 speaks to the attention in the coalition on the other side of
1472 the aisle that is indeed a challenge.

1473 With respect to our ongoing and in some cases increasing
1474 dependence on China, one thing we haven't talked about yet in
1475 this hearing is the ability of the U.S. government to simply
1476 say no when it needs to. One of the criticisms I would make
1477 of the current administration's executive orders, for
1478 example, is that they are respecting investment in China and
1479 semiconductors and then other critical technologies is that
1480 they are too weak. And I think it is important and I am glad

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1481 there is an emerging conservative consensus on this question.

1482 It is important to simply say you may not invest in
1483 China when it comes to our critical industries and
1484 technologies. That is a hard thing to do, but I think it is
1485 the right question to ask.

1486 *Mr. Walberg. It is also the right position for our
1487 industry to take as well.

1488 *Mr. Griswold. Yes, I think --

1489 *Mr. Walberg. To push back on the government deciding
1490 what we are going to do, what we are going to produce as
1491 well. I would love to talk more about it, but I want to
1492 switch gears here.

1493 When we talk about the gig economy, I prefer to use the
1494 term independent workers. Our friends on the other side
1495 continue to depreciate independent workers by suggesting they
1496 are coercively forced into low-paying jobs. In fact, we know
1497 that millions of Americans actively choose and want to work
1498 independently because it fits their lives and their
1499 priorities.

1500 Independent work has exploded in the last decade from
1501 direct sellers to truckers and freelancers. Working

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1502 independently has now more than ever become a viable and
1503 sought after choice and I commend Representative Joyce on his
1504 legislation to examine this vital part of our economy.

1505 Mrs. Ghazarian and Mr. Griswold, digital platforms have
1506 -- and other vehicles for people to engage in independent
1507 work kept the economy moving during COVID when many
1508 businesses were forced to close. What role do independent
1509 workers have in keeping our supply chains resilient and do we
1510 need to do more to identify their impact on our economy?

1511 *Ms. Ghazarian. Thank you for the question. I would be
1512 happy to answer first. I currently at this time don't employ
1513 any independent workers, but I am fully supportive of
1514 understanding how a flexible workforce could benefit the
1515 economy and in turn doing a study to be able to show that. I
1516 do believe over time our business will need more and more of
1517 a flexible workforce and those independent workers will be
1518 critical with that

1519 *Mr. Walberg. Thank you. Mr. Griswold?

1520 *Mr. Griswold. I think I would say that workers in all
1521 employment structures are essential to strong and resilient
1522 American supply chains and that regardless of the form that

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1523 that takes, we are right to consider their role in the
1524 resilience of our supply chains.

1525 *Mr. Walberg. You have hit the -- you hit the main
1526 point I wanted to hear your hit, that is for sure. And my
1527 time is expired, so I will respect that and yield back

1528 *Mr. Bilirakis. Thank you. The gentlemen yields back.
1529 Now I will recognize my friend, Mr. Soto, from the State of
1530 Florida.

1531 *Mr. Soto. Thank you, Chairman, and what a great
1532 Floridian you are.

1533 Happy to be discussing a critical issue, supply chains,
1534 today. We learned during the pandemic, gosh, that a plan to
1535 import a bunch of goods from 10,000 plus miles away sometimes
1536 can hit snafus, right, and so as we are still working in a
1537 global economy, it is about making sure we have domestic
1538 capacity for some of these essential goods even while we
1539 continue to engage in international trade.

1540 The Infrastructure Law, the CHIPS Act, and the IRA were
1541 all parts of the President's vision and so many of us in
1542 Congress. We saw factory construction double over the last
1543 year, which is exciting. A key part of the supply chain is

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1544 making more essential products in the United States, those
1545 especially that are important for national security and high
1546 growth areas. It is all about capacity. We are also seeing
1547 near shoring and Central America and South America is a part
1548 of that, too.

1549 Mr. Paul, where are we at as a snapshot right now
1550 between what supply chains are improving and what needs
1551 additional help and what would you recommend for that help?

1552 *Mr. Paul. Mr. Soto, that is an excellent question.
1553 And I want to preface the answer to this by saying that I
1554 think having a supply chain strategy and additional
1555 legislative authority coming from the Congress is going to be
1556 essential to widening and deepening the understanding of all
1557 of this because there is -- there are limited lines of sight
1558 into what is going on right now. And that is not only from a
1559 federal government perspective, I think this varies widely by
1560 agency.

1561 For -- I think DoD has some understanding within its
1562 space. I think that other agencies will acknowledge that
1563 they do not currently have the best line of sight in there.
1564 I think that is also true of some global companies. I think

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1565 that they have some line of sight into their own supply
1566 chains, and I think in other respects when it gets to the
1567 third and fourth tier, they often are not nearly as aware of
1568 what some of those bottlenecks, vulnerabilities, political
1569 risks could be to them. And so as we move ahead, it is going
1570 to be vital.

1571 What we do know is that the incentives that you cited in
1572 the Bipartisan Infrastructure Law, in the CHIPS Act, and the
1573 clean energy manufacturing provisions of the IRA have indeed
1574 brought some new manufacturing construction to the United
1575 States, and with it some of the supply chain as well.

1576 And I think it is important to get this right. I think
1577 one of the things that is going to make that critical is to
1578 make sure that the administration continues with the
1579 requirements to access the loans, the grants, the procurement
1580 that it has to be made in America to the fullest extent of
1581 the law that you all passed. And there were Made in America
1582 requirements in the Bipartisan Infrastructure Law, in CHIPS
1583 and Science, and in the clean energy manufacturing of the
1584 IRA. And so I think that will be helpful.

1585 I also think that we still have tremendous

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1586 vulnerabilities in some of our supply chains. And we know,
1587 for instance, if we want to rebuild our electrical grid,
1588 there is exactly one supplier of the type of grain oriented
1589 electric steel --

1590 *Mr. Soto. You must be talking to my local utilities.

1591 *Mr. Paul. [Laughter.] That can provide that in the
1592 United States, and so we need to find ways to help build up
1593 that capacity.

1594 *Mr. Soto. Sure. I am worried about the electrical
1595 grid and various different types of equipment utilized there.
1596 I have heard from both their local investor-owned utilities
1597 and local municipal utilities about that. We tried to get
1598 that into the CHIPS Act, the House put it in, the Senate took
1599 it out, so we have more work to do.

1600 Mr. Slaughter, I first was able to pass appropriations
1601 language to encourage USDA to use blockchain technology for
1602 food traceability. Now it has become a huge part of USDA and
1603 FDA. Where do you see the top products and industries of
1604 using blockchain for traceability and helping in the supply
1605 chain?

1606 *Mr. Slaughter. So we have seen a number obviously, and

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1607 in some ways it depends upon the degree to which the supply
1608 chain itself is complicated and has a lot of players
1609 involved. This is where of course for a mini entity
1610 blockchain, a permissionless blockchain, the tokens come in,
1611 because the token is what allows it to therefore -- the
1612 crypto token confirm veracity. So in general, things that
1613 have many different points on the spoke, like
1614 pharmaceuticals, like agriculture, these are examples of
1615 that.

1616 Also anything very complex. That is why I mentioned, of
1617 course, the BASECAMP project the U.S. Air Force is utilizing.

1618 *Mr. Soto. So when people hear token, they think of
1619 like a monetary item, but really we are talking about like a
1620 tag or a barcode on a box but it is electronic in nature.
1621 Just for the --

1622 *Mr. Slaughter. That is the idea, right. There is many
1623 different ranges of tokens. Most tokens on a network that is
1624 permissionless is available to everybody have some amount of
1625 financial element, that is what allows them to therefore work
1626 under current permissionless systems, but there is a whole
1627 range of options here. This is a technology that applies

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1628 across the entire economy not off of any one area.

1629 *Mr. Soto. Perhaps we should call it digital labeling,
1630 maybe everybody will get that a little more, so just a
1631 thought.

1632 And I yield back.

1633 *Mr. Bilirakis. The gentleman yields back. Now I
1634 recognize Dr. Dunn from the great State of Florida, in the
1635 northern State of Florida. Florida is such a great,
1636 beautiful state. I know, I know, it is all over, but that is
1637 okay, that is part of my job, and it is all true.

1638 *Mr. Dunn. The farther north you go in Florida, the
1639 farther south you get.

1640 *Mr. Bilirakis. [Laughter.] All right. I will
1641 recognize the doctor -- the good doctor for his five minutes
1642 of questioning.

1643 *Mr. Dunn. Thank you very much, Chairman Bilirakis.

1644 Today the United States remains in a manufacturing
1645 dilemma. Critical industries are tied to nonmarket Chinese
1646 Communist Party, and we may note the irony I think that a
1647 communist country has absorbed so many businesses around the
1648 world and flipped the concept of globalism on its head. You

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1649 know, it is easy to blame capitalism, profit motives, and
1650 consumer welfare for offshoring, but I support bringing jobs
1651 back home, and I know you do, too. And I cannot say that I
1652 am surprised that businesses have sought lower manufacturing
1653 costs in China.

1654 Ms. Ghazarian, great back story. I saw that you noted
1655 the strength of China's ecosystem as a primary motivator.
1656 Surely labor and manufacturing costs relative to other
1657 countries was also a consideration when you started Austere
1658 in China?

1659 *Ms. Ghazarian. One thousand percent it was a
1660 consideration in the beginning. By shifting our
1661 manufacturing to Taiwan and Vietnam, we did take on a little
1662 bit higher costs than the actual cost of the product itself.
1663 But with the tariff dropping off completely, the difference
1664 in balance between the two, it was still more cost effective
1665 for us to shift countries, so we did.

1666 *Mr. Dunn. Thank you for that. I understand your
1667 frustration by the way with the USTR's targeted tariffs. I
1668 worked with a lot of companies in my district to try to get
1669 the waivers on those. I think it is essential for us to get

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1670 our long-term resilience of U.S. supply chains in the U.S. or
1671 at least not dependent on China.

1672 Can you elaborate any recommendations that you have for
1673 the Department of Commerce that would incentivize onshoring
1674 or friend -- friendshoring of U.S. offshore investments?

1675 *Ms. Ghazarian. I would say that shifting -- again,
1676 based on my experience and what I have done so far, there has
1677 been a limited amount of time where I have done research to
1678 see if we could bring goods back here to the United States.
1679 The cost of labor alone just completely takes it out of the
1680 realm. So if there is any way to --

1681 *Mr. Dunn. Hence the friendshoring references.

1682 *Ms. Ghazarian. Correct. I would also say, too, that a
1683 lot of the work that my product needs to be built, there is a
1684 lot of hands-on what I would call technology trade specific
1685 learnings that would need to be taught, and if you were to
1686 try to go out and find a network of already trained
1687 individuals that know how to do that here in the United
1688 States, that would not exist. I do believe there is a need
1689 to educate and train. I would have to take on that cost and
1690 it would allow -- it would slow me down versus speeding me up

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1691 if I --

1692 *Mr. Dunn. No.

1693 *Ms. Ghazarian. -- were to bring that back.

1694 *Mr. Dunn. I agree with that. Thank you very much.

1695 Mr. Paul, I agree with your assessment, we have become
1696 too dependent on China as a single source of goods. There
1697 are 29 percent of global factory output costs for us to start
1698 bringing these supply chains back to America and its allies.
1699 A policy decision that I have been calling for loudly is
1700 renewal, a clean renewal of the general system of preferences
1701 on tariffs. You know, this is something that has passed the
1702 House and the Senate without fail for 35 years, it is a very
1703 bipartisan thing. The last time it was voted on in the House
1704 it was like 400 to two.

1705 And, you know, we are now three years late in
1706 reauthorizing the GSP, but this provides incentives for many
1707 manufacturers to relocate away from China and to countries
1708 that have less expensive manufacturing costs, and that is
1709 still a win for our national security and our economy. And
1710 many companies are bolstered by GSP benefits which offer
1711 tariff-free access to the United States to preferred nations.

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1712 So I would say that renewal of the GSP is a major step
1713 towards moving supply chains out of China.

1714 I mentioned earlier China's cheap labor markets
1715 attracted mass capital. However, the latest list of the
1716 cheapest manufacturing companies in the world, U.S. News and
1717 World, 12 of the top 20 are already on the list of general
1718 GSP nations.

1719 In your testimony you mentioned the Federal Government
1720 needs a dedicated office to direct supply chain efforts
1721 towards resiliency. Currently we have CFIUS, which governs
1722 foreign investments into the United States. I think it is
1723 worth considering that we have a similar program to monitor
1724 outbound investments into China. Can you address that?

1725 *Mr. Paul. Absolutely, and I -- in my testimony to the
1726 select committee, I -- on China, I also called for a thorough
1727 review of outbound investment as well.

1728 Since you asked about a GSP, Mr. Dunn, I would say that
1729 I think that the -- I think that the national security goals
1730 of the program are essential. I do think the program could
1731 use with some reform, particularly the content laws that
1732 allows passthrough of goods. I think you should take a look

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1733 at that, and also graduating some of the products from it.
1734 But I do think that that along with TAA and some other
1735 programs is something that is overdue and would give us a leg
1736 up.

1737 *Mr. Dunn. My time is expired. I thank you for --

1738 *Mr. Bilirakis. Thank you.

1739 *Mr. Dunn. -- your forbearance, Mr. Chairman. Take
1740 care.

1741 *Mr. Dunn. The gentle -- the doctor yields back. Now
1742 we will recognize Mrs. Trahan for her five minutes of
1743 questioning.

1744 *Mrs. Trahan. Well, Chairman Bilirakis and Ranking
1745 Member Schakowsky, thank you for calling this hearing.

1746 The COVID-19 pandemic disrupted supply chains across the
1747 country, it imperiled everyday American's access to many
1748 things but including baby formula, flour, cleaning products,
1749 and so many essential goods. It is essential that we take
1750 the lessons learned from the pandemic and develop a
1751 comprehensive national strategy to monitor and to assess the
1752 vulnerabilities in our Nation's supply chains.

1753 I am of the opinion that the biggest way that the

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1754 pandemic disrupted our supply chains was its impact on the
1755 workers that actually -- who actually kept our economy
1756 running. Americans who had the flexibility to work remotely
1757 did so to slow the spread and protect themselves from COVID
1758 and their families but millions of essential workers put
1759 themselves at risk, and they showed up to work every day, and
1760 the supply chain crisis impacted their workplaces, too. Take
1761 the nurses who wore trash bags instead of hospital gowns
1762 because of shortages of medical supplies.

1763 Mr. Paul, the COVID-19 pandemic upended the lives of
1764 every American and every worker and because of that caused
1765 havoc in our supply chains. What valuable information can
1766 labor unions and workers provide to help ensure that we
1767 identify and address supply chain vulnerabilities?

1768 *Mr. Paul. Thank you very much for the question. I
1769 think that workers and entities that represent workers like
1770 labor unions are essential to making this construct work. As
1771 I indicated in my testimony, you know, the most valuable
1772 asset of manufacturers is the workforce, that is where the
1773 knowledge lies, that is where the skillset lies, and without
1774 them there would be no production.

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1775 The lessons we learned from COVID I think are also
1776 incredibly valuable. When worker voices weren't heard
1777 necessarily, we ended up with more problems in some cases,
1778 either in terms of health outcomes or in terms of
1779 disruptions. And so I think ignoring that is to not get a
1780 360-degree view.

1781 And I will also say that in many cases manufacturers I
1782 talk to, ideas in terms of finding new products, new markets,
1783 new workarounds, new supplies when there were bottlenecks
1784 also came from the shop floor, and that is just information
1785 that you can't derive from anywhere else. So any enterprise
1786 with respect to supply chains to be successful needs to
1787 include a diversity of voices including that of the workers.

1788 *Mrs. Trahan. Yeah, that seems to make perfect sense.
1789 There is no way to get a full assessment of what is happening
1790 with our economy during a crisis without talking to the
1791 people on the ground who are facing it every day. And if you
1792 look at some of the recent economic shocks in our country, it
1793 is a consistent pattern of workers making sacrifices to keep
1794 our economy running just like those nurses wearing those
1795 trash bags.

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1796 We are in the midst of the first UAW strike of all three
1797 U.S. legacy automakers at the same time. Workers are looking
1798 for higher pay and amid record automaker profits after the
1799 industry successfully emerged from the pandemic-induced supply
1800 chain crisis. But in 2009 when the auto industry was being
1801 hammered by the Great Recession, UAW agreed to 11 billion
1802 dollars in labor cuts that helped keep GM afloat.

1803 Mr. Paul, when economic and supply chain crises happen,
1804 how have industry and labor worked together to adapt and to
1805 survive?

1806 *Mr. Paul. Thank you, that is a great question. And
1807 the -- certainly the auto rescue from 13 or 14 years ago is a
1808 good example of that about how there was some shared
1809 sacrifice in exchange for some public benefits to keep the
1810 heart of American manufacturing viable. We -- and we have
1811 seen that also I will say in the steel sector and
1812 collaboration between workers and the companies to
1813 restructure the industry to make it competitive and to
1814 advance its goals.

1815 And so when we look broadly across future industries in
1816 the United States, that includes EVs, that obviously includes

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1817 semiconductors, ensuring that in exchange for that public
1818 benefit that there is some recognition that the work is
1819 valued and the workforce is valued ought to be part of best
1820 practice and policy as well.

1821 *Mrs. Trahan. Thank you. And I will put my last
1822 question in but maybe a written response. I appreciate the
1823 insight.

1824 The sudden shortages of essential goods like baby
1825 formula, cleaning products, and PPE showed that we need to
1826 rapidly respond to supply chain failures and immediately act
1827 to remedy them. Mr. Griswold, your organization has called
1828 on Congress to establish a national development bank to
1829 finance projects vital to our Nation's economy and national
1830 security. This is similar to a supply chain financing
1831 provision in the America Competes Act. Could such financing
1832 strengthen supply chains for critical goods?

1833 I realize I am out of time so we will have to put that
1834 one in the record, but thank you.

1835 *Mr. Bilirakis. Very good. I -- the gentlelady yields
1836 back. Now I will recognize Mrs. Lesko from the great State
1837 of Arizona for her five minutes of questioning. Thank you.

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1838 *Mrs. Lesko. Thank you, Mr. Chair, and thank you all
1839 for being here to testify today.

1840 Ms. Ghazarian, you had talked about how you had had your
1841 goods manufactured in China but because of the tariffs I
1842 think I heard you say you moved to manufacturers in Taiwan
1843 and Vietnam. Is that accurate?

1844 *Ms. Ghazarian. That is correct.

1845 *Mrs. Lesko. Okay. I am trying to get a handle on if
1846 those companies are controlled by the Chinese government. I
1847 mean, is it a way for China to get around the tariffs or the
1848 companies to get around the tariffs?

1849 *Ms. Ghazarian. So both of the manufacturing partners
1850 that we have shifted to other countries with are still rooted
1851 in the leadership of the original manufacturing partners I
1852 worked with in China, so their way was to shift into other
1853 facilities in other countries to still be able to support us
1854 with the skill and quality that we needed for our product but
1855 to do so in other countries, yes.

1856 *Mrs. Lesko. Yeah, thank you.

1857 Mr. Griswold, what specific dependencies does the U.S.
1858 have on Chinese manufacturing and raw materials, and how can

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1859 we reduce these dependencies?

1860 *Mr. Griswold. That's a very big and important
1861 question, and I would --

1862 *Mrs. Lesko. Yeah.

1863 *Mr. Griswold. -- love to meet with your office to talk
1864 about it at the length it deserves. You mentioned critical
1865 materials. I think the critical mineral supply chain I know
1866 is very much of concern to Congress and to all of you and you
1867 are paying attention to it already, but I think it does merit
1868 mention even though we have started to extract and mine some
1869 critical minerals here again in the United States, still not
1870 as much as we could, and even those that we do extract often
1871 have to be processed in China anyway, we are sending it there
1872 and having it come back.

1873 *Mrs. Lesko. Mm-hmm.

1874 *Mr. Griswold. That represents a massive vulnerability.
1875 The CCP has proven its willingness in the past to restrict or
1876 cut off the flow of critical minerals. They have done that
1877 and are clearly willing to do it again, and that would
1878 represent a major national security and economic crisis
1879 because as you know, these minerals are used in both military

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1880 and civilian applications. So that is just I think one
1881 instance of the many, many vulnerabilities we have --

1882 *Mrs. Lesko. Right.

1883 *Mr. Griswold. -- and dependencies we have, but it is
1884 an important one.

1885 *Mrs. Lesko. Yeah, and it is just such a problem. You
1886 know, I -- we had the Secretary of Energy in front of our
1887 committee, our Energy -- I think our full committee maybe
1888 and, you know, they -- she said that she supports domestic
1889 mining, but in Arizona, which I represent parts of Arizona,
1890 Phoenix, they pulled back permitting for a big copper mine.
1891 And so all of these things that we need, we need I think four
1892 times as much copper in electric vehicles.

1893 And so I don't understand it, I mean, I just don't get
1894 it, how we are going to get to the goals that the
1895 administration wants without doing mining here. I don't
1896 understand it, and so, you know, maybe someday somebody will
1897 explain it to me.

1898 Mr. Slaughter, what measures are being taken to protect
1899 American intellectual property from theft and reverse
1900 engineering when working with Chinese partners and suppliers?

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1901 *Mr. Slaughter. Not enough, In general, we have seen
1902 in particular China taking a lead on a lot of nascent
1903 technologies. I was reminded today by someone that the belt
1904 and road initiative, when they place, you know, roads from
1905 Kathmandu to Khartoum, also they bring with it digital UON
1906 and blockchain information. This is a major concern that if
1907 the Chinese or other hostile actors have the foundation of
1908 the next generation of the internet, our information security
1909 as a whole in the U.S. would be hurt.

1910 *Mrs. Lesko. Yeah. It is -- you know, we have a heavy
1911 lift, a heavy lift here in the United States, and I think we
1912 share our goal, Republicans and Democrats, of bringing back
1913 manufacturing here, but it is going to be tough because we
1914 are so darn reliant on China, and they can hurt us without
1915 even firing a shot, and scary stuff. Thank you and thanks
1916 for being here, and I yield back.

1917 *Mr. Bilirakis. The gentlelady yields back. I will
1918 recognize the gentlelady from Tennessee, Mrs. Harshbarger,
1919 for her five minutes of questioning. And you notice I didn't
1920 mention the football game --

1921 *Mrs. Harshbarger. No.

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1922 *Mr. Bilirakis. -- from last weekend.

1923 *Mrs. Harshbarger. Don't. Don't start something now,
1924 Gus.

1925 Thank you, Mr. Chairman, and thank you to the witnesses
1926 for being here.

1927 We have had many prior witnesses who have testified
1928 before how the pharmaceutical supply chains are incredibly
1929 complex and difficult to trace, you know, and I've been a
1930 pharmacist 36 years, and I am responsible for knowing where
1931 each and every step in the supply chain is due to a pedigree.
1932 We have to know that the wholesalers are registered and every
1933 step of where that drug comes from or API comes from.

1934 So, Mr. Slaughter, I guess my first question is, how
1935 could blockchain technology be used to help pharmacists and
1936 wholesalers?

1937 *Mr. Slaughter. So there is a number of companies
1938 already working on utilizing blockchain technology and crypto
1939 for pharmaceuticals. I think MedChain is one of them,
1940 PharmaChain is another. I am happy to follow up with your
1941 office afterwards.

1942 *Mrs. Harshbarger. Yeah.

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1943 *Mr. Slaughter. Because of the many different
1944 components of sensitive information and location involved in
1945 the creation of vaccines, pharmaceutical products, it is very
1946 important to have total confidence in the purity and --

1947 *Mrs. Harshbarger. Yeah.

1948 *Mr. Slaughter. -- veracity of those components
1949 throughout the entire chain. That is part of the appeal of
1950 how blockchain could help the supply chain there.

1951 *Mrs. Harshbarger. Okay. I would like to follow up
1952 with you on that later.

1953 Ms. Ghazarian, you briefly shared about concerns related
1954 to a mandate from Commerce requiring you to share
1955 information. And on a similar note, how would you feel if
1956 there were voluntary standards in place that didn't protect
1957 you from litigation or posed a risk to expose trade secrets?

1958 *Ms. Ghazarian. Unfortunately, if there wasn't any
1959 protection, I would not feel comfortable providing that data.

1960 *Mrs. Harshbarger. Mm-hmm.

1961 *Ms. Ghazarian. If there was some sort of protection,
1962 and legal protection at that, if I did provide that
1963 information, I would be happy to do so. It is in my best

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1964 interest to strengthen the United States.

1965 *Mrs. Harshbarger. Yeah.

1966 *Ms. Ghazarian. We just need to make sure that we are
1967 protected.

1968 *Mrs. Harshbarger. Absolutely, I agree.

1969 Mr. Griswold, since the pandemic we have talked a lot
1970 about government standing up programs to fix supply chains,
1971 but the government often causes supply chain problems. If
1972 there was a regulation that you would eliminate to help our
1973 supply chains be more resilient, what would it be?

1974 *Mr. Griswold. We have I think already started to touch
1975 on that question in this discussion. My organization's
1976 published for example on NIPA reform.

1977 *Mrs. Harshbarger. Mm-hmm.

1978 *Mr. Griswold. I think -- I mean, no one here is in
1979 favor of making our air or water dirtier, but we can keep our
1980 environment clean and be responsible stewards of our natural
1981 resources and let ourselves build things at the same time.
1982 One of the more encouraging things from my perspective that
1983 we have seen in recent months is an emerging bipartisan
1984 interest in permitting reform.

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1985 *Mrs. Harshbarger. Yes.

1986 *Mr. Griswold. That strikes me as very encouraging. If
1987 we can find a bipartisan and therefore politically durable
1988 way of keeping the environment safe while allowing ourselves
1989 to build again, I think that is incredibly important.

1990 *Mrs. Harshbarger. Yeah, we have talked a lot about
1991 reform of that program. I have another question, Mr.
1992 Griswold and Mr. Slaughter. How many labor unions
1993 exacerbated the supply chain shortfalls in this country, and
1994 what is the best way to counter-organize labor when they hold
1995 supply chains hostage?

1996 *Mr. Griswold. I think I would respectfully take a
1997 different view of the premise. Organized labor, at least
1998 organized labor that represents workers who build things,
1999 have a vested interest in increasing domestic production. Of
2000 course, they are the ones -- some of the ones who will get
2001 the jobs. So in my view, it may be constructive to view
2002 organized labor as a potential asset to be mobilized in this
2003 political fight versus an impediment.

2004 And I might also just add that in my view, worker
2005 discontent --

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2006 *Mrs. Harshbarger. Mm-hmm.

2007 *Mr. Griswold. -- whether that takes the form of a
2008 strike in an organized labor context or just kind of the
2009 great resignation and people quitting jobs that they don't
2010 think are a good jobs, worker discontent is itself a supply
2011 chain risk and that it is a legitimate one to consider in my
2012 view. So I think I would respectfully just take a different
2013 view of the premise of your question.

2014 *Mrs. Harshbarger. Okay. Mr. Slaughter?

2015 *Mr. Slaughter. I would also respectfully disagree. We
2016 have seen unions interested in crypto and blockchain
2017 technology for a variety of uses. I know that there is a
2018 notable commentator, the Blockchain Socialist, who often
2019 writes about the way that crypto could be utilized to
2020 organize workforces in the future. I regard organized labor
2021 as part of the role of the supply chain as well.

2022 *Mrs. Harshbarger. Okay, very good. Well, I don't have
2023 enough time for the other questions so, Mr. Chairman, I yield
2024 back.

2025 *Mr. Bilirakis. The gentlelady yields back. Now I will
2026 recognize Mr. Allen for his questioning -- sorry, you were

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2027 about five minutes -- five seconds late, but we will get to
2028 you, thank you.

2029 Mr. Allen, you are recognized, please.

2030 *Mr. Allen. I'll be quick.

2031 *Mr. Bilirakis. Thank you.

2032 *Mr. Allen. And thank you, Chair, for convening this
2033 hearing, and thank you to our witnesses.

2034 Obviously, you know, we really need to get to the -- we
2035 need to drill down and figure out what is going on with the
2036 supply chain. I think we could do that pretty quickly if we
2037 could get the -- you know, get to the issue with it.
2038 Obviously it has something to do obviously with the war on
2039 fossil fuel, it has something to do with we lost -- where did
2040 10 million workers go during COVID. I mean, we have roughly
2041 10 million jobs open out there today and we lost those
2042 workers.

2043 And, you know, unless we can -- at least what I am --
2044 and I come from the business world. What I am understanding,
2045 the big problems in a business just maintaining the status
2046 quo is obviously getting materials first and -- well, excuse
2047 me. Workforce is first and getting the materials and whatnot

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2048 to produce the product, or build the building, or whatever is
2049 second, and those two are somewhat improved but we got a long
2050 way to go.

2051 Mr. Griswold, we can measure supply chains on the
2052 spectrum where at one end is efficiency and the other end is
2053 resiliency. Because of the effects of COVID, we were shown
2054 that just-in-time manufacturing techniques along with the
2055 offshoring of so much of our manufacturing have led to these
2056 supply chains to become brittle and not resilient. How do we
2057 make the determination whether our supply chains should be
2058 built to weather a once in a hundred years event like a
2059 pandemic, or should we assume that disruptions like this will
2060 continue to happen more frequently with increased global
2061 fragmentation?

2062 *Mr. Griswold. That is -- it is a fantastic and
2063 important question, and I am very glad that you pointed out
2064 the shifting consensus that market efficiency alone is not a
2065 sufficient economic frame of mind to bring to these
2066 questions, and that is true in supply chain resiliency as it
2067 is in many other respects in our economy. I think we have
2068 seen the political discussion about that change in recent

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2069 years in both parties, quite rightly so.

2070 I might answer the question in terms of national
2071 sovereignty. If we overly lean in the direction of
2072 efficiency and therefore supply chain fragility, we
2073 compromise our own ability to make our own decisions about
2074 what is in America's best interest. A good example in my
2075 mind is -- are the recent sanctions Congress put on Russia
2076 and the various measures we have taken to excise Russia from
2077 the global economy.

2078 And regardless of your view of that conflict, I think it
2079 is a good thing that we had the capacity to do that if we
2080 decided it was best. We don't have the capacity to do that
2081 with China even if we did decide it was best, and that
2082 represents to me a major compromise of American political and
2083 economic sovereignty. And if we admit, as I think you
2084 rightly have, that efficiency is not the only measure we
2085 should be looking at, that allows us to consider other
2086 measures like our ability to act freely in our own interests
2087 on the global stage, a more resilient supply chain structure
2088 would let us do that --

2089 *Mr. Allen. Mm-hmm.

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2090 *Mr. Griswold. -- if we decided we need to. So that is
2091 just maybe one example. There are a lot of other
2092 conversations we could have --

2093 *Mr. Allen. Right.

2094 *Mr. Griswold. -- in that vein, but that is my view.

2095 *Mr. Allen. And with the right leadership we can
2096 achieve that.

2097 *Mr. Griswold. I think so.

2098 *Mr. Allen. Yeah. Okay, good.

2099 Mr. Slaughter, I have got about a minute left. Can you
2100 differentiate between general blockchain technology and
2101 cryptocurrency?

2102 *Mr. Slaughter. Sure. So in many ways they are
2103 connected. It depends upon the nature of the blockchain. In
2104 a permissionless blockchain which everyone is accessible to
2105 such as Ethereum, you need a crypto token to create the
2106 functioning of the blockchain, the proof of consensus. There
2107 are permission blockchains or very private blockchains that
2108 don't utilize that, but then you lose the decentralization.

2109 *Mr. Allen. Mm-hmm.

2110 *Mr. Slaughter. To have the full decentralization,

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2111 which is most useful for things that have many different
2112 companies engaged together and sharing information, that is
2113 where a token is useful.

2114 *Mr. Allen. Okay. And, Mr. Griswold, obviously we are
2115 on this emerging technology, we are dependent on critical
2116 materials. China dominates that, 60 percent of worldwide
2117 production and 85 percent of processing capacity of these
2118 rare materials. What are the risks to national security that
2119 this might pose?

2120 *Mr. Griswold. The risks are profound. And I know I
2121 have offered a lot of criticism of the Biden administration's
2122 supply chain review exercise, so let me offer a positive
2123 word. The Department of Defense's supply chain resiliency
2124 review is very clear and explicit --

2125 *Mr. Allen. Okay.

2126 *Mr. Griswold. -- about these dangers.

2127 *Mr. Allen. Okay, good.

2128 *Mr. Griswold. That it is a clear and present national
2129 security threat to the United States and to many of our
2130 allies that we cannot produce the things we need
2131 domestically --

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2132 *Mr. Allen. Okay.

2133 *Mr. Griswold. -- or source the inputs that we need
2134 domestically.

2135 *Mr. Allen. Okay, I have got another follow-up question
2136 for you, but I don't have time. I will yield back, Mr.
2137 Chairman. But please get back with us on the answer to that
2138 last question, Mr. Griswold. Thank you.

2139 *Mr. Pence. [Presiding] Thank you. The gentleman
2140 yields back, and now I recognize myself for five minutes.

2141 I would like to thank Chairman Bilirakis and Ranking
2142 Member Schakowsky for holding this hearing, and thank you all
2143 for being here. I think I am the last one, so you are almost
2144 done.

2145 I urge my colleagues to join me in supporting H.R. 5146,
2146 the Advancing the Gig Economy Act, which I co-led with
2147 Congressman Joyce. This bill seeks to uncover barriers to
2148 businesses conducting interstate trade by studying the impact
2149 of the independent workforce on our economy. Over the past
2150 few years, Hoosiers in southern Indiana have felt the ripples
2151 in our economy caused by shortages of semiconductor chips,
2152 critical manufacturing equipment, everyday consumer products

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2153 and, of course, inflation.

2154 We learned the hard way that our economy cannot rely
2155 solely on adversarial nations to secure our supply chains.
2156 And I did have a sponsor, I did get a bill passed in July
2157 that would favor friendly nations and prioritize our friends.
2158 And we learned from years of dealing with the aftermath of
2159 the pandemic the difficulty companies face in growing
2160 workforce shortages. Auto manufacturers like Honda in
2161 Greensburg and the Indianapolis International Airport in my
2162 district told me firsthand the potential impacts on day-to-
2163 day operations because of workforce shortages. My greatest
2164 priority in Congress has been fighting for policies that have
2165 the opportunity to create good incomes for Hoosiers and all
2166 Americans.

2167 Ms. Ghazarian, you stated in your testimony that many
2168 startups and small businesses use 1099 employees to give them
2169 flexibility as they grow and develop their companies. In
2170 fact, survey after survey shows that independent work is
2171 popular and growing where access to benefits is less
2172 important to the individual. According to a study published
2173 by George Mason University, today 10 in -- one in 10 workers

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2174 engaged in independent work as a primary source of income,
2175 and as many as one in three use independent work as a
2176 supplementing income source. Ironically, my wife has -- does
2177 antique malls where she has got about 800 gig economy people
2178 that are doing it for fun, and they -- many of them do very
2179 well.

2180 So, ma'am, I ask you a question, how would a Department
2181 of Commerce study that looks at the whole picture of the
2182 independent workforce be beneficial for you to determine how
2183 to balance the flexibility and entrepreneurship that you
2184 prize and how can it contribute to improving interstate
2185 commerce?

2186 *Ms. Ghazarian. Great question, thank you. So if you
2187 could get a good understanding of the skillset and nature of
2188 the independent workforce that you could lean into and how
2189 you could leverage that within the needs of the business, and
2190 as the business changes from day-to-day, there would be those
2191 needs where you would look for certain individuals to help
2192 you build your business depending on what that need is. Some
2193 days it might revolve around supply chain and the expertise
2194 you might need there, other days it might lie around

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2195 engineers and what you are doing to build products.

2196 If there was some sort of an infrastructure or network
2197 that you could leverage into to learn about what those
2198 resources are and have access to it, I think it would be very
2199 helpful for businesses like mine to be able to expand and
2200 then in turn shrink as needed when those resources are not
2201 needed anymore.

2202 *Mr. Pence. Right.

2203 *Ms. Ghazarian. Sustainable.

2204 *Mr. Pence. Right. Okay, thank you.

2205 Mr. Griswold, a question for you. When contemplating
2206 the strategy of decoupling from certain foreign supply
2207 chains, how are we evaluating the infrastructure and
2208 workforce limitations not only within the United States but -
2209 - and as you know, the China issue, but also in countries
2210 where we are considering as a potential alternative source,
2211 and I know that we have moved to some other companies but how
2212 do we get -- how do we look at that?

2213 *Mr. Griswold. That is an important question, and I
2214 would start actually by talking about our workforce
2215 development and education system in the United States. Fewer

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2216 than one in five young Americans go smoothly from graduating
2217 to -- from high school into a four year degree into a job
2218 that required that degree, and yet the vast majority of our
2219 federal education spending is directed at college students.

2220 *Mr. Pence. Mm-hmm.

2221 *Mr. Griswold. I think that is remarkably skewed. And
2222 as a broad and important matter, we need to heavily invest in
2223 non-college pathways for the majority of Americans.

2224 *Mr. Pence. Yeah, we have some great programs in
2225 Indiana.

2226 *Mr. Griswold. So, yeah.

2227 *Mr. Pence. And, yeah, I think that is right.

2228 *Mr. Griswold. Yeah.

2229 *Mr. Pence. And a lot of those graduates are doing a
2230 lot better.

2231 With that, I yield back my time to the chairman. Oh,
2232 oh, I am sorry. To Congresswoman Miller-Meeks.

2233 *Mrs. Miller-Meeks. Thank you very much, Mr. Chair, and
2234 also Chair Bilirakis for hosting this hearing.

2235 Manufacturing, as we know, has been hit hard by the
2236 global supply chain constraints over the last few years with

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2237 record high inflation and supply chain disruptions impacting
2238 numerous sectors of our economy. As global competition has
2239 increased, control over our supply chains has fallen into the
2240 hands of our foreign adversaries, namely the Chinese
2241 Communist Party. Such geographic concentration of supply
2242 chains have left -- has left many U.S. companies vulnerable
2243 to disruption, and it is essential now more than ever for the
2244 U.S. to strengthen our domestic supply chain resiliency,
2245 especially in infrastructure areas including critical
2246 manufacturing, U.S. defense industrial base, energy, food,
2247 and agriculture.

2248 That is why I am pleased this legislative hearing
2249 includes my bill, the Critical Infrastructure Manufacturing
2250 Feasibility Act, which directs the Secretary of Commerce to
2251 conduct a study on the feasibility of manufacturing more
2252 critical infrastructure goods in the United States, in
2253 particular, manufacturing products which many are developed
2254 in rural communities in Iowa and in my district.

2255 Mr. Griswold, what steps do -- need to be taken, and you
2256 may have answered this, to increase domestic manufacturing of
2257 critical infrastructure products, and secondly, what biggest

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2258 impediments, and we have heard a bit about permitting, to
2259 enhancing these sectors specifically in the renewable energy
2260 sectors and critical mineral processing?

2261 *Mr. Griswold. If I can be forgiven for organizational
2262 self-promotion, we recently released a book of policy ideas
2263 titled, "Rebuilding American Capitalism: A Handbook for
2264 Conservative Policymakers," which I would love to discuss
2265 with you in your office, that has a whole suite of policy
2266 ideas to address exactly what you are talking about.

2267 Both carrots and sticks are important, and again, that
2268 is a long conversation, but on the stick side, I think
2269 tariffs and guardrails have their place, domestic content
2270 requirements may have their place, adequate financing for
2271 critical industries have their place, helping precompetitive
2272 research collaboration between innovative companies is an
2273 important step. There is a whole range of important policy
2274 conversations I think we [audio disruption] on how to rebuild
2275 our domestic productive capacity.

2276 *Mrs. Miller-Meeks. And other than permitting, greatest
2277 impediments?

2278 *Mr. Griswold. I think -- to be frank, I think the

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2279 greatest impediment is the outdated mindset, that thankfully
2280 it is I think changing in Washington, that market efficiency
2281 is the primary measure by which we should determine economic
2282 policy, and we had this discussion briefly with one of your
2283 colleagues. Clearly a national security economic national --
2284 national economic resilience, the common good, and the well-
2285 being of American working people, and their ability to
2286 support their families are I think considerations that have
2287 not always had their due in the last few decades of American
2288 policy making, and the extent to which that mindset changes,
2289 I think good policy follows.

2290 *Mrs. Miller-Meeks. I might add inertia to that list.

2291 *Mr. Griswold. Indeed, yes.

2292 *Mrs. Miller-Meeks. Thank you so much. And, Mr. Chair,
2293 I yield back.

2294 *Mr. Bilirakis. [Presiding] Thank you very much. Now
2295 I will recognize a chairman who waved on to the subcommittee
2296 today, Mr. Johnson, who is a good friend of mine, and I also
2297 look forward to -- thank you -- I want to thank you for
2298 calling this hearing on Thursday in East Palestine. I
2299 appreciate it. Thank you for your leadership. I think it

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2300 was long overdue, and I appreciate you taking the initiative,
2301 and I look forward to participating.

2302 *Mr. Johnson. Good deal.

2303 *Mr. Bilirakis. All right, very good. I recognize you,
2304 sir, for five minutes.

2305 *Mr. Johnson. Thank you, Mr. Chairman, and you will
2306 certainly be welcomed with open arms there in East Palestine.
2307 Thank you. And thanks for letting me waive on today. I
2308 appreciate our witnesses being here for such an important
2309 topic when we are talking about America's supply chains.

2310 I am very pleased that my legislation H.R. 5398, the
2311 Advancing Tech Startups Act, was included in today's
2312 legislative hearing. The bipartisan legislation would
2313 require the Department of Commerce to study and report on the
2314 impact of technology startups on the U.S. economy. It also
2315 promotes a national strategy for encouraging more tech-
2316 focused startups and small businesses in all parts of the
2317 United States. You don't have to be in Silicon Valley to
2318 successfully launch a tech startup.

2319 I am an entrepreneur myself, that is a different story.
2320 But the talent, sustainable cost structure, and opportunity

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2321 are available in many locations across the country.
2322 Additionally, I am proud to co-lead H.R. 5390 with my
2323 colleagues, Reps Miller-Meeks, who you just heard from,
2324 Bucshon, Kuster, Schrier, and Spanberger. This bill requires
2325 the Department of Commerce to study and report on products
2326 that are in high demand across the critical infrastructure
2327 sectors. Importantly, the bill includes feasibility studies
2328 for manufacturing products in rural communities.

2329 As the representative of many rural counties in my
2330 district in eastern Ohio, I know that manufacturing in these
2331 communities can and should play an increased role in making
2332 products for critical infrastructure sectors and in our
2333 Nation's supply chain.

2334 As we know, the pandemic painfully revealed the
2335 importance of creating product supply chains and intellectual
2336 capital right here at home. We can't rely on China or anyone
2337 else, and we don't need to. While we must ensure our supply
2338 chains are resilient in a global economy, we must also be
2339 self-sufficient in critical areas. It is time to fully
2340 unleash the American spirit of innovation and
2341 entrepreneurship across the entire United States.

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2342 Mr. Slaughter, in your opinion, would a national
2343 strategy such as the one described by my legislation, the
2344 Advancing Tech Startups Act, that identifies barriers and
2345 encourages more tech-focused startups and small businesses in
2346 all parts of the United States, would that help to better
2347 prepare our economy for future disruptions to our
2348 manufacturing sector and supply chain?

2349 *Mr. Slaughter. I think it would. I think a lot of the
2350 appeal of crypto and blockchain in particular is you can do
2351 it from anywhere. Many of our portfolio companies at
2352 Paradigm are largely or fully remote. There is the
2353 possibility of having tech jobs throughout the entire
2354 country, including those overlooked regions that have not
2355 benefited from Web 1 and Web 2.

2356 *Mr. Johnson. Good. Did the pandemic impact the
2357 success of tech startups?

2358 *Mr. Slaughter. Inherently I think it impacted all of
2359 us. Everyone had to respond differently to the effects of
2360 disruption and to the effects in the markets, but I think
2361 many of us came through it with a greater appreciation for
2362 how we can respond to additional disruption in the future as

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2363 well.

2364 *Mr. Johnson. Do you have any other recommendations for
2365 increasing the resiliency of our supply chains?

2366 *Mr. Slaughter. That is such a good question. It is
2367 somewhat beyond my ken, but I would suggest the number one
2368 thing is to make sure that you don't involve supply chains
2369 becoming the province of a few companies that control the
2370 information.

2371 *Mr. Johnson. Mm-hmm.

2372 *Mr. Slaughter. The worst thing would be to have a few
2373 more companies that because they control the entire data
2374 stream become black boxes and rent seek on everybody else.

2375 *Mr. Johnson. Yeah.

2376 *Mr. Slaughter. Better to have this throughout the
2377 entire economy so everyone can benefit.

2378 *Mr. Johnson. Yeah, I agree. I personally believe that
2379 we should restrain from outsourcing anything in our supply
2380 chain below the minimum amount required to sustain our own
2381 culture here at home. We need to identify what those
2382 critical needs are and keep a focus on that.

2383 Ms. Ghazarian, you mentioned in your testimony -- have I

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2384 got that right? Did I say that right?

2385 *Ms. Ghazarian. You did, you got it right.

2386 *Mr. Johnson. Thank you. You mentioned in your
2387 testimony that shifting supply chains is not costless and
2388 does not happen overnight. What advice do you have for other
2389 companies, and particularly startups, looking to center their
2390 supply chains through American companies and products?

2391 *Ms. Ghazarian. Absolutely. I would say the first
2392 thing is you really need to do your homework in regards to
2393 the resources that you need to build your products and stay
2394 at the quality, safety, and efficiency level to make sure
2395 that if you are going to produce something here, you can do
2396 so safely. Then on top of that are the costs effective to be
2397 able to stay competitive in the market with your competition
2398 that may still be producing elsewhere.

2399 *Mr. Johnson. Yeah. Thank you, ma'am.

2400 Mr. Chairman, I -- you know, I have heard from many
2401 manufacturers that tell me the quality of the raw materials
2402 they get from countries like China, even though China is
2403 dumping excess capacity on the global market, trying to
2404 disenfranchise American workers, the quality of their raw

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2405 materials, sometimes companies have to order three and four
2406 times as much so that they can get just enough to meet their
2407 needs. Even though China holds the market on those raw
2408 materials, their quality simply is not there. We can beat
2409 them at this game if we are smart.

2410 I thank our panelists, and I yield back.

2411 *Mr. Bilirakis. Agreed, agreed, agreed. Oh, well, I
2412 just want to thank the panel for all your direct responses.
2413 I know I learned quite a bit during this hearing, and I
2414 appreciate it very much. And I appreciate the ranking member
2415 holding this hearing with me.

2416 And with that we were going to close up here. I ask
2417 unanimous consent to insert into the record the documents
2418 included on the staff hearing documents list.

2419 Without objection, so ordered.

2420 [The information follows:]

2421

2422 *****COMMITTEE INSERT*****

2423

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2424 *Mr. Bilirakis. And again, we have additional
2425 questions, so if you -- please if you could respond to those
2426 questions in writing, we would appreciate it. I remind
2427 members again that they have 10 business days to submit
2428 questions for the record, and ask the witnesses to respond to
2429 the questions promptly. Members should submit their
2430 questions by the close of business day on October 4th.

2431 So again, I appreciate your testimony and your direct
2432 responses to the questions.

2433 Without objection, the committee is adjourned.

2434 [Whereupon, at 12:38 p.m., the subcommittee was
2435 adjourned.]