Additional Views of Rep. Dan Newhouse (R-WA-04) to the Select Committee on Strategic Competition between the United States and the Chinese Communist Party economic report titled "Reset, Prevent, Build: A Strategy to Win America's Economic Competition with the Chinese Communist Party"

Formed at the beginning of the 118th Congress, the House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (Select Committee) has held nine hearings to investigate the military, economic, and social affairs between the United States and the People's Republic of China (PRC). It has been an honor to serve with the distinguished members of this Select Committee under the leadership of Chairman Mike Gallagher and Ranking Member Raja Krishnamoorthi. The bipartisan nature of this Select Committee is a testament not only to their leadership but a recognition of the threat posed by the Chinese Communist Party (CCP) to the rules-based international system, and the security, values, and prosperity of the United States.

As Chairman of the Congressional Western Caucus and a third-generation farmer representing Central Washington, I am proud that our state is one of the most productive agricultural regions in the world producing over 300 different commodities. Farming, ranching, food processing, and trade represent a significant segment of the state's economy.

The PRC is the second-largest global economy and an important market for the United States, especially for agriculture producers. My state of Washington is one of the country's leading agricultural exporters and a top market for our agriculture exports is China. However, the PRC's practices distort markets and undermine fair competition using trade coercion and protectionism under an assumption that markets will remain open to China regardless of its policies and practices. This is a fundamental reason I support the key findings and topline recommendations documented in this report.

Under Pillar I: Reset the Terms of Our Economic Relationship with the PRC, a key finding is the PRC's economic system is incompatible with the World Trade Organization (WTO) and undermines U.S. economic security. It has been over 20 years since Congress affirmed the PRC's Normal Trade Relations (NTR) status with the expectation the PRC would continue with its economic reforms and transition to a market economy. It is abundantly clear this has not happened, and the PRC has failed to live up to the foundational principles and rules of the WTO; government interference in the economy has continued to grow, rather than recede.

I do, however, have reservations about proposals from some to revoke NTR or move the PRC to a new tariff column, presumably Column Two of the Harmonized Tariff Schedule (HTS) since there are only two established tariff rates for imported goods. Column Two tariff rates are on average over ten times higher than Column One tariff rates, typically between 30 percent and 50 percent, and only Cuba and North Korea have been permanently covered under Column Two (Russia and Belarus are temporarily covered under Column Two in response to Russia's unprovoked invasion of Ukraine).

Frankly, the notion that moving the PRC to a new tariff column "restores U.S. economic leverage" is a fallacious argument that has very real and, as we have seen from the fallout of

Section 301 tariffs imposed in 2018 and 2019, detrimental consequences for American households, jobs, and industries. This is especially true for farmers and ranchers who were forced to bear the brunt of the retaliatory tariffs imposed by the PRC and ceded crucial market access to other countries. Imposing new, additional tariffs on goods and services from the PRC would inevitably lead to more retaliation against U.S. goods, services, and investment.

There are no “winners” in a trade war and fighting protectionist policies and government subsidies with more protectionism and subsidies that will not equate to the losses realized by our farmers and ranchers is not a recipe for success. The reality is that, at this time, the United States and China are economically interconnected. Responsibly de-risking, not decoupling, should be the overarching approach to counter the PRC’s economic and trade strategy.

As noted in the report, the United States no longer maintains some of the key tools that were once available to protect itself against the distortions from non-market economies. Congress should better utilize trade tools under existing law, such as renewing the China Safeguard mechanism (Section 421) of the Trade Act of 1974 or conducting a periodic reevaluation of the PRC’s trade status, to counter market disruptions due to the PRC’s policies. The United States must also engage with our friends and allies to collectively counter the PRC’s distortive trade and economic practices and bolster the rules-based international system that is based upon open, market-oriented policies.

It is vital for the United States to take a targeted approach to reset the terms of our economic relationship with the PRC. Simultaneously, as noted in Pillar III, we must invest in innovative research and technology to build a collective economic resilience in collaboration with our allies and partners.

In closing, this comprehensive report is a testament to the bipartisan agreement that the PRC has failed to live up to the structural reforms it promised when joining the WTO and gaining NTR status. The status quo is not working, but we must remain keenly aware that any more significant disruption to the trade flow has the potential to upend broad sectors of the U.S. economy and have dire consequences on American farmers and ranchers.