



Forum for American Leadership

Does the United States Need a National Technology Policy?

May 23, 2022

Policymakers in the United States, particularly conservatives, ought to support government policy that incentivizes American industry to compete against an economically and technologically surging China, which will level the playing field against a competitor that fundamentally does not play fair.

Specifically, policymakers should support and extend existing policies that call out China for its unacceptable behavior, impose economic penalties and barriers for China's malign activities and unfair competition, and go further by both opposing new legislation and regulatory efforts that create barriers to technological innovation in the United States and by removing existing barriers to U.S. innovation at home.

Policymakers must also work across the aisle to develop incentives and investments that both kickstart and undergird U.S. economic and national security for the next generation. This includes incentivizing U.S. private sector companies—which benefit from being part of the American system—to partner with the U.S. government on critical national security matters.

Effective American Policy Must Counter China's Malign Behavior.

Key elements of Chinese national policy, including China's "state capitalist" economy and its national military-civil fusion strategy, and its economic coercion of other nations, blur the lines between the public and private sectors and create very real market distortions that threaten American prosperity and security in both the short- and long-term.

China's statist policies mean that the Chinese Communist Party has significant influence over business strategies of private companies as well as state-owned enterprises, allowing the government to leverage all applicable civilian technology for military purposes. As a result, private entities that further the state's national goals are often heavily subsidized by the state, either directly or through the allocation of infrastructure, land, and other benefits.

The Chinese government also employs economic coercion of other nations to pursue its long-term political and economic agenda in an opaque and partially deniable manner, while formally opposing the United States' use of its own economic power, including undermining American and allied sanctions.

Given these circumstances, policymakers should counter the Chinese Communist Party's (CCP) unacceptable economic and political behavior:

- **Economic:** state-sponsored theft of U.S. intellectual property for commercial gain; state sponsorship, direction, and protection of cyber criminals that target other nations; employment of bribery and other forms of corruption to enrich CCP elites; and use of

state power to induce other governments and foreign companies to enter into extortive transactions that harm those other nations and provide leverage to Beijing.

- **Political:** oppressing religious and ethnic minorities; squelching legitimate dissent; and creating modern-day gulags to both destroy a religious and cultural group that does not share the CCP's philosophy while abusing its forced labor for economic gain.

U.S. policy should seek to clearly and distinctly expose and inhibit these malign behaviors of the CCP.

While the American government's response to date has certainly become bolder in the past few years (i.e., calling out certain companies and taking limited action against manipulative market activities by Chinese state-owned and state-influenced enterprises), the United States must significantly broaden and deepen these efforts to meet the challenge presented by the Chinese Communist Party.

An American Technology Policy Does Not Require Picking Winners and Losers; Rather, it Should Incentivize and Energize Private Sector Innovation.

The United States faces a generational political, ideological, economic, military, and technological competition with China.

To effectively compete and win against China, the United States needs a technology policy that is focused on incentivizing, rather than stifling, private sector innovation; to that end, while the U.S. government should not pick economic winners and losers, nor directly own or manage the means of production, it can and should play a central role in:

- Creating and maintaining an economic, legal, and regulatory environment that permits private business to flourish and incentivizes the creation, implementation, and protection of new technological innovation that can contribute to U.S. economic and national security.
- Expanding existing and creating new programs that invest in basic and applied research in academia and in the startup ecosystem alongside larger, more established companies to promote leap-ahead advancements in key areas of national interest, including but not limited to telecommunications, quantum computing, data analytics, artificial intelligence/machine learning, semiconductors design and fabrication, and nanotechnologies, as well as technology-enabling areas like the production and processing of critical minerals.
 - Programs and partnerships that benefit both the public and private sectors can generate major innovations and drive long-term national security, technological, and economic advantage for our nation.
- Providing access to the type of economic resources for long-lead technology innovation and creating designated research and development (R&D) facilities that can build and deliver the innovative products of the future.

- o Such resources may include, where appropriate, long-term government contracts and access to large-scale capital funding or financing.
- Encouraging and incentivizing American companies to partner with the U.S. government, including collaborating closely on critical national security matters in a manner that is consistent with U.S. law.
 - o American companies benefit from operating in an economic and political system where property rights are strongly protected, fiscal and tax policies typically incentivize growth, and competition policy and regulatory pressures have historically been geared towards creating more innovation and access for consumers and, as such, can reasonably be expected to partner to ensure the long-term viability of this system.

Policymakers Ought to Support the Right Kind of Technology Policy that Incentivizes Investment and Partnership Between the Government and Industry on Key American Priorities.

There has been much debate about whether and how the U.S. government ought to play a role in setting the conditions for America’s national economic and technological success in the ongoing competition with China, and specifically, whether establishing a national technology policy is advisable.

There is a long history of the U.S. government setting policies that have the benefit of ensuring long-term American economic and technological leadership in key national security areas.

- While concerns about overweening government intervention in the economy are well-founded and such policies ought to be avoided, our nation has a long history of government supporting private innovation by providing funding for basic and applied research and access to long-lead capital in key areas, such as defense and telecommunications.
 - o This support has—at least until recently—kept America at the forefront of these areas globally, and ensured that the American government, particularly our military, has maintained access to the latest in technological innovation.
- Policymakers are right to be skeptical of the government’s ability to effectively invest capital and keep up with private sector innovation; nonetheless, government action *can* play a critical role in undergirding ongoing private sector efforts and kickstarting new ones.
 - o While the government typically cannot invest in ways that are superior to private actors in private markets nor pivot nearly as fast as needed to keep up with the rapid pace of technological innovation in industry today, government can play a useful role in removing existing barriers to innovation and productivity and

incentivizing the type of investment and innovation that has the potential to significantly improve American economic and national security.

- o Government funding certainly is not necessary to support every major project or research initiative that industry or academia undertakes; however, government support can have the effect of encouraging new market entrants to enter a given priority arena and partner with the government to achieve mutual goals.

American Policymakers Should Seek to Ensure that U.S. Companies Partner with the U.S. Government as They Benefit From the American System and Grow in their Geopolitical Influence.

American policymakers should make clear to U.S. industry that it is no longer acceptable to claim the benefits of being U.S. companies while seeking to avoid the critical need to partner the government to protect the very system that provides those benefits.

- American multinational companies cannot be citizens of the world—and avoid working with the U.S. government on that basis—while also taking the benefits of our political and economic system and getting U.S. government assistance when times get tough.
- In an ideal world, purely private incentives would create sufficient benefits and pressure to ensure that U.S. government and industry work together in the national interest, based on a common understanding of the challenges we face and shared interests.
- The reality today, however, is that many American companies seek to challenge or defy the U.S. government while remaining subservient to our adversaries, including the Chinese government, and even at times lobbying the U.S. government on Beijing’s behalf, in order to access China’s market.
 - o These behaviors endanger not only our economic and national security but can also put American citizens and our allies at risk.
- Indeed, in many ways, it is the Chinese government—not the United States—that is putting American companies in the position of having to “choose a flag,” particularly given its clearly communicated policies of state access to intellectual property and corporate and customer data, as well as its intention to decouple key industries from the United States.
 - o American companies must reject the Chinese government’s requirement that they be silent on the CCP’s oppressive policies or give up their own intellectual property in order to access the Chinese market.
 - o American companies must likewise be willing to partner with the U.S. government to identify areas of common long-term economic and political interest and to jointly work on those efforts, even where such work may raise the ire of certain American adversaries, like the CCP.

Conclusion

- Policymakers should support the development and implementation of a focused technology policy in key areas where government support can benefit U.S. economic and national security.
- This includes creating clear legal and regulatory space for industry to innovate, providing investment into basic and applied research for establishing long-term capabilities, or providing access to the scale and type of capital needed for success in key technology and technology-enabling areas, such as quantum computing, machine learning, cybersecurity, semiconductor production, production and processing of critical minerals, and telecommunications.
- This approach has long been a mainstay of American defense and national security policy and has much to recommend it, including that it will enable U.S. success in our long-term competition against China.

This paper is a product of the Forum for American Leadership's Technology and National Security Innovation Working Group.

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