



Written by [Luis Miguel](#) on March 1, 2023

## White House Waters Down Plan to Restrict U.S. Investment in China

Has the China lobby scored another victory in the White House?

Sources on Capitol Hill and in the lobbying world told [Politico](#) that the administration is dialing down an upcoming executive order on China, abandoning plans to restrict American investment in the communist regime and instead focus on “transparency.”

While the order may still retain a ban on U.S. investment when it comes to the semiconductor industry, it will not block Americans from putting their money into other areas of the Chinese economy.



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The sources said that the executive order, expected to be signed some time in March or April, is now being crafted to require American companies to give federal authorities notification when entering deals in fields that have national security implications, such as quantum computing and artificial intelligence.

Saloni Sharma, a spokesperson for the National Security Council, disagreed with the Capitol Hill insiders’ characterization of the executive order, telling [Politico](#):

The premise of this story is false, and its characterization of the planned requirements of an outbound investment program is inaccurate. This administration has from the beginning focused on formulating an approach that addresses national security risks stemming from outbound investments in a way that is implementable and effective — and has a greater impact on the [Chinese government’s] efforts to acquire sensitive capabilities than it has on the competitiveness of American companies.

Yet the executive order as it is expected to be in its final form is a far cry from the tough-on-China stance originally envisioned by the White House and Congress last year.

At the time, policymakers of both the legislative and executive branches floated the creation of a government review board that would have the power to block U.S. deals in various Chinese industries, from AI to quantum computing to clean energy, biotechnology, and microchips.

The order also falls short of what is desired by officials on the National Security Council. Last September, for example, National Security Advisor Jake Sullivan [gave a speech](#) in which he said the White House would seek to counter Chinese gains in key industries like quantum and chips.

As [Politico](#) notes of the administration’s departure from that aggressive stance:

But despite continued tensions over Taiwan and the recent surveillance balloon debacle, the administration has since narrowed its approach at the request of the Treasury Department,



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which has long opposed an aggressive approach to outbound investments and has been meeting with U.S. financial firms since last fall. Momentum for the NSC's more aggressive approach also slowed after the departure last fall of one of Sullivan's key deputies, Peter Harrell, who had helped lead the economic campaign against Beijing.

Momentum in Congress also appears to have slowed. Over the past two years, lawmakers have debated bipartisan legislation that would have set up a new federal review panel headed by the U.S. Trade Representative with broad authority to review and deny American investments across a wide swath of the Chinese economy. But they were ultimately unsuccessful in attaching the bill to Congress' CHIPS Act last year or the yearly defense spending bill.

Others, however, see an opening for further progress down the line and consider the upcoming executive order as merely a first step in a gradually more-restrictive China policy.

"While this [executive order] is the first official step, we shouldn't expect it to be the last," Eric Sayers, a former staffer for the U.S. Indo-Pacific Command under Trump who now works as managing director at the consulting firm Beacon Global Strategies in Washington, D.C., told *Politico*. "This will likely be an additive process that grows over time through both executive powers and legislative action."

Those with knowledge of the prospective executive order say the administration will most likely establish a pilot program requiring U.S. firms to provide government authorities with details about their deals with Chinese companies involved in industries such as biotech.

Ironically, the worries about China come even as the government continues making decision after decision giving Beijing power over America.

For example, the Pentagon for years has been stocking military bases and other important facilities with equipment from [TP-Link](#), a Chinese firm that openly admits that it collects user information and that this information "will be transferred or transmitted to, or stored and processed in ... places we have infrastructure or data centers."

The federal government has continued doing business with TP-Link despite the fact that in 2016 the company "was ordered to pay a \$200,000 settlement following an investigation into TP-Link routers that were found to violate FCC regulations."

Just as special interests [recently united](#) to thwart an effort by South Dakota Republican Governor Kristi Noem to block land purchases by China in her state, so have the Chinese voices in Joe Biden's ear acted swiftly to protect Beijing's interests in the United States.



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