

Client Alert: First House China Committee Hearing Previews Its Investigative Agenda

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On February 28, 2023, The Select Committee on Strategic Competition between the United States and the Chinese Communist Party held its long anticipated first hearing. The hearing, which lasted approximately three hours, served as a preview for the Committee's investigative interests, which include US company activities in the China market, China's human rights and free speech abuses, and countering China's increasing aggression toward Taiwan.

Select Committee Background

Leading up to the hearing, Committee Chair Mike Gallagher (R-WI) and Ranking Member Raja Krishnamoorthi (D-IL) emphasized that the Committee's work would be bipartisan given the real threats that the Chinese Communist Party poses to the US. The Chair and Ranking Member discussed the importance of economic decoupling from China, acknowledging challenges given the intertwined nature of the American and Chinese economies. Showing their interest in private industry, the Chair and Ranking Member confirmed that they plan to "have conversations" with the National Basketball Association and Disney and will be interested in "having productive conversations" with any company with "substantial business in China." Chairman Gallagher noted that the Committee would use its subpoena power against private sector corporations if it needed to and if a witness' presence is essential to the Committee's functions. He also noted that he plans to use that power in a bipartisan fashion.

Select Committee Hearing Summary

Prior to the hearing, media coverage illustrated a bipartisan acknowledgement of the growing competitive threat posed by China and a joint desire to pass legislation to boost economic and military power domestically in the US. This mentality was borne out by the Chairman and Ranking Member's opening statements and the members' questions, with both sides slowly moving to focus on their parties' traditional talking points. Chairman Gallagher said that the debates at the hearing would showcase the current "existential struggle over what life will look like in the 21st century — and the most fundamental freedoms are at stake." Ranking Member Krishnamoorthi warned against "anti-Chinese or anti-Asian stereotyping or prejudice," noting that the Committee "has no quarrel with the Chinese people or people of Chinese origin."

While the hearing focused on the work that the Committee could do to increase military spending, protect the United States national interest, and support the free speech rights of Chinese citizens, there were moments that centered on private industry and specific companies' engagement with China. While these comments remained at a high level, Committee members offered ideas about how the Committee could advance proposals that discourage foreign investment in China by US companies.

Members expressed concerns about private industry's reliance on China for key aspects of its supply chain, which could impact the US economy's dependence on this strategic competitor. Citing hedge funds and other public investment companies' deep economic relationship with China, members advocated that the Committee should work to discourage further engagement by American companies in China.

Four witnesses attended the hearing: Matthew Pottinger, former Deputy National Security Advisor (Trump Administration); General H.R. McMaster, former National Security Advisor (Trump Administration); Scott Paul, head of the Alliance for American Manufacturing; and Wei Jingsheng, Chinese dissident and human rights activist. Mr. Paul commented that the Big Tech, entertainment, and professional sports industries do business in China despite the economic threat China poses to the United States. Other witnesses referenced private industry's profit motive, which made cheap Chinese labor attractive despite concerns that Chinese manufacturing relied in part on slave labor. General H.R. McMaster, former National Security Advisor, also weighed into the discussion about corporate activity, noting that anti-genocide polices should be an ESG issue.

As has been common during congressional meetings, hearings, and markups related to China, TikTok was discussed at length during some of the member's questioning periods. Many members and panels expressed concern over the influence that the Chinese government had over the TikTok application and its data practices, focusing on the consequences for US consumers and China's longer-term influence over American society. Former Deputy National Security Advisor Pottinger said "the bigger coup for the Chinese Communist Party — if TikTok is permitted to continue operating in the United States, and if WeChat and other Chinese platforms are allowed to continue to operate — is that it gives the Chinese Communist Party the ability to manipulate our social discourse, the news to censor and suppress or to amplify what tens of millions of Americans see and read and experience and hear through their social media app."

Despite the overall expressions of the joint need to act in bipartisan fashion, there are likely topics under the Committee's scope that will divide the Members, including how to engage with corporations whose businesses depend on China, either for manufacturing or as a consumer base. The first hearing served as a preview for the Committee's priorities, showing where the Members may focus as they begin their investigation.

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