

## US/CHINA: What to expect from the new Congress on China policy

- Partial control of Congress will enable Republicans to hold hearings on issues including Taiwan and human rights, pressuring the Biden administration towards hardline policies.
- US-based multinationals will face accusations of "ESG hypocrisy" for advocating progressive causes within the US while failing to condemn alleged abuses in China.
- Congress is likely to legislate a new review mechanism for outbound foreign direct investment in China that could enable regulators to block multinationals' investments in strategic industries.

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Republicans took control of the US House of Representatives this month following last year's midterm elections, setting the stage for them to push for a more hardline US approach to China. President Joe Biden has retained most of former president Donald Trump's policies while piling on [new sanctions](#) of his own, but Republicans still view "soft on China" criticism of Biden as an effective political message.

New House Speaker Kevin McCarthy has promised to follow in [Nancy Pelosi's footsteps](#) by leading a Congressional delegation to Taiwan early this year. China's leadership will understand that a Republican-led delegation does not represent the intentions of Biden's government, but Beijing is still likely to respond with a show of force. Beyond this early provocation, Republicans will use hearings and legislation to influence policy and build their personal political profiles.

### Hearings

With limited ability to pass legislation, Republicans will rely on public hearings to generate publicity and pressure on the administration. McCarthy established a new House Select Committee on China led by Representative Mike Gallagher, who openly uses the phrase "New Cold War" and sponsored legislation to ban TikTok. This and other House committees will likely hold hearings on issues including: human rights, China's military modernization, the origins of Covid-19, hacking, intellectual property, Taiwan, Hong Kong, and the space race.

On Taiwan, congressional pressure could promote changes to administration policy that Beijing would view as a [shift away](#) from the One China Policy. Under the "strategic ambiguity" posture that has guided US policy for over 40 years, Washington withholds an explicit security guarantee for Taiwan while still leaving open the possibility of US military intervention. But a vocal faction of Republicans and some Democrats favor a shift to "strategic clarity." Biden has arguably already begun this shift with [repeated comments](#) stating that the US military would defend Taiwan. Pressure from Congress could nudge the Biden administration further in this direction.

Even absent legislation, congressional pressure can influence administration policy. The US Commerce Department's decision last month to add Yangtze Memory Technologies (YMTC) to the entity list followed months of congressional pressure. Apple also shelved a plan to use YMTC chips in new iPhones, even though the plan would only have deployed these chips in phones sold inside China.

### "ESG hypocrisy"

So-called "ESG hypocrisy" will be a key theme for Republicans in Congress. The Select Committee may pressure corporate executives to testify, and companies that have expressed opinions on climate change, abortion, racial equity, or LGBTQ issues will be asked to condemn human rights abuses in China. US-based multinationals professing to act on ESG principles will be accused of "hypocrisy" for maintaining operations in China. Multinationals may face increased criticism for operations in China even where there is no allegation of legal wrongdoing. Legislators will scrutinize trade or investment relationships that offers the appearance of serving the Chinese government's objectives in strategic industries like green energy, biotech, artificial intelligence, and semiconductors.

Beyond naming and shaming, some lawmakers want to impose concrete penalties on US companies with robust China operations. On the powerful House Ways and Means Committee, which has jurisdiction over tax and trade issues, new Republican chairman Jason Smith has pledged to "examine whether it is in the best interests of the American people to continue showering tax benefits on corporations that have shed their American identity in favor of a relationship with China."

### [Legislating China policy](#)

Members of both parties have proposed hundreds of China-related bills. Most will never become law, but they signal the centrality of the China issue. Among the bills that the Republican-led House will consider in its first week is the Protecting America's Strategic Petroleum Reserve from China Act, which would ban exports of oil from the US Strategic Petroleum Reserve to Chinese companies.

A strong bipartisan coalition supports legislation to establish a review mechanism for outbound US investment to China and other adversary countries. The proposal for an "outbound CFIUS" was almost included in last year's CHIPS and Science Act, but the [details were too complicated](#) to settle in time to include this element in the broader bill. Still, the idea has strong bipartisan support and is likely to pass this year in some form.

On export controls, some members in both parties want to legislate controls in strategic industries like semiconductors beyond those the administration has imposed under existing law. An active Congress might impose new export controls on green energy, biotech, semiconductors, AI, or civil aviation.

On Taiwan, the Biden administration and its Democratic allies in Congress stripped out the most provocative provisions of the Taiwan Policy Act before that bill was folded into a broader Pentagon funding bill. Those provisions included symbolic changes that would have provoked Beijing by forcing the US government to treating Taiwan more like a sovereign country. But Republican control of the House increases the likelihood that these provisions, which some Democrats also support, could return this year.

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