

**United States Senate**  
**Washington, D.C. 20510**

July 29, 2020

The President  
The White House  
1600 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear Mr. President:

As your Administration prepares its infrastructure proposal to reauthorize surface transportation programs, we write to urge you to 1) expand and enhance Buy America rules to prevent Chinese circumvention, and 2) increase federal assistance to state and local governments for infrastructure projects. We make this request in light of a troubling recent report on Chinese attempts to enter U.S. infrastructure markets. The report found that your 2018 Rebuilding Infrastructure in America plan was viewed widely by Chinese Communist Party officials as an opportunity for China to earn a return on its surplus cash and gain market share for its state-owned enterprises.<sup>1</sup> The same report quoted Chinese officials gloating about circumventing Buy America rules.<sup>2</sup> With over 30 million Americans out of work as a result of the COVID-19 pandemic, we cannot afford an infrastructure plan that supports Chinese state-owned enterprises at the expense of American workers.

On Tuesday, June 16, 2020 Horizon Advisory, an independent strategic consultancy, released a report titled, “When the Iron is Hot: The Chinese Community Party’s Subversion of US Recovery Investment.” The report found that “Beijing seized on the Trump administration’s 2018 announcement of a new \$1.5 trillion infrastructure construction plan,” with many in China calling the plan a prime opportunity.<sup>3</sup> Chinese officials were aware of the fiscal budget problems caused by the Tax Cuts and Jobs Act, which created the opportunity for China to provide capital and industrial capacity for infrastructure projects at the federal—but especially state and local level. Wang Yupeng of China’s Foreign Economics and Trade University sums up the opportunity presented by the Trump plan in February 2018:

“The Trump Administration announced an infrastructure construction plan of more than \$1.5 trillion over the next ten years. However, the federal government only contributed \$200 billion. The rest will rely on local government and private sector financing. Considering the decrease in fiscal revenue from the US tax cut plan, the demand for foreign funds—including Chinese funds—will increase.”<sup>4</sup>

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<sup>1</sup> The White House. “Legislative Outline for Rebuilding Infrastructure in America”. February 2018. *Accessible at:* <https://www.whitehouse.gov/wp-content/uploads/2018/02/INFRASTRUCTURE-211.pdf>; Emily de La Bruyere, & Nathan Picarsic. “When the Iron is Hot”. Horizon Advisory. 16 June 2020. Pg. 32. *Accessible at:* <https://www.horizonadvisory.org/ccpsubversionreport>

<sup>2</sup> *Ibid.* Pg. 26

<sup>3</sup> *Ibid.* Pg. 16

<sup>4</sup> *Ibid.* Pg. 16

By circumventing Buy America rules at the state and local level, Chinese officials aim to exploit the disconnect between the Trump Administration's goal of increasing American-made infrastructure and the budget pressures state and local governments face, ironically as a result of inadequate federal support.<sup>5</sup> The Chinese Globalization Think Tank recommends Chinese firms "go deeper into the local area" to get around federal Buy America thresholds by putting assembly facilities in the United States.<sup>6</sup> For example, in 2017, a press release from the state-owned rail company CRRC declared that it had "completed Trump's US localization requirements . . . all vehicle projects meet the requirements of Buy America." In reference to CRRC's ability to circumvent federal Buy America rules at the local level, the release notes, "There are Trump's policies on the top, and China's countermeasures on the bottom. Trump may have to study the culture of the Chinese nation for five thousand years [in order to understand]."<sup>7</sup> Chinese officials seem well aware of the impact of these interventions on U.S. industry, noting that American manufacturing companies may go bankrupt as a result of Chinese firms and capital entering the U.S. market for infrastructure.<sup>8</sup>

In addition to strengthening Buy America requirements, we ask that you increase federal infrastructure funding to state and local governments. Already the target of below-market bids from China, many state and local government budgets have been significantly weakened by responding to the COVID-19 pandemic.<sup>9</sup> As Majority Leader McConnell continues to delay action to provide funding to state and local governments on the frontlines of the COVID-19 response, Chinese officials plan to turn the COVID-19 crisis into an opportunity "to co-opt US infrastructure, supply chains, and markets" by increasing overtures to cash strapped state and local governments.<sup>10</sup> We cannot allow the division of partisan politics to open the door to further Chinese absorption of U.S. industrial capacity.<sup>11</sup> Strong and flexible funding for our state and local governments is needed in the next COVID package, and real funding is needed for our state and local partners in surface transportation reauthorization.

In closing, we again reiterate our requests. First, we ask that your infrastructure proposal include provisions to expand and strengthen Buy America rules in light of Chinese success at circumvention. Second, we ask that you and Senate Majority Leader McConnell work with House and Senate Democrats to provide funding to state and local governments facing shortfalls

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<sup>5</sup> *Ibid.* Pg. 30

<sup>6</sup> *Ibid.* Pg. 25; The Globalization Think Tank is a Beijing-based think tank founded in 2008 by Communist Party leaders. Founder and President Wang Huiyao is a Central People's Government State Councilor.

<sup>7</sup> *Ibid.* Pg. 26

<sup>8</sup> *Ibid.* Pg. 11

<sup>9</sup> Anshu Siripurapu and Jonathan Masters. "How the Coronavirus Will Harm State and City Budgets." *Council on Foreign Relations*. 15 May 2020. Accessible at: <https://www.cfr.org/backgroundunder/how-coronavirus-will-harm-state-and-city-budgets>

<sup>10</sup> Emily de La Bruyere, & Nathan Picarsic. "When the Iron is Hot". *Horizon Advisory*. 16 June 2020. Pg. 16. Accessible at: <https://www.horizonadvisory.org/ccpsubversionreport>

<sup>11</sup> @realDonaldTrump Apr 27, 2020 "Why should the people and taxpayers of America be bailing out poorly run states (like, Illinois, as example) and cities, in all cases Democrat run and managed, when most of the other states are not looking for bailout help? I am open to discussing anything, but just asking?" Brett Samuels. "Trump asks why taxpayers should help bail out blue states." *The Hill*. 27 April 2020. Accessible at: <https://thehill.com/homenews/administration/494807-trump-asks-why-taxpayers-should-help-bail-out-democrat-run-states>

as a result of responding to the COVID-19 pandemic—including real funding in your surface transportation reauthorization proposal. Fulfilling these requests for the next infrastructure package will put Americans back to work and get our economy—which is still struggling from the pandemic—back on its feet by investing in American manufacturing.

Sincerely,

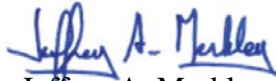


Tammy Baldwin

Tammy Baldwin  
U.S. Senator



Gary C. Peters  
U.S. Senator



Jeffrey A. Merkley  
U.S. Senator



Bernard Sanders  
U.S. Senator

CC: The Honorable Elaine Chao, Secretary, Department of Transportation