The New York Times | https://www.nytimes.com/2021/11/16/us/politics/biden-infrastructure-china.html

Biden Sells Infrastructure Improvements as a Way to Counter China

Spending on roads, broadband internet and more will help revitalize U.S. competitiveness against its top economic adversary, the president says.

By Jim Tankersley

Nov. 16, 2021

WASHINGTON — President Biden on Tuesday began selling his $1 trillion infrastructure law, making the case that the money would do more than rebuild roads, bridges and railways. The law, he said, would help the United States regain its competitive edge against China.

"We're about to turn things around in a big way," Mr. Biden said in remarks at a bridge over the Pemigewasset River, in snowy New Hampshire. "For example, because of this law, next year will be the first year in 20 years that American infrastructure investment will grow faster than China's."

The president has cast the legislation as a giant leap for the United States in its battle with China to dominate the 21st-century economy, even though it does not include the full scope of his campaign promises to pour money into research and development and provide incentives for domestic manufacturing and other initiatives.

"It's an important step, although it's not a huge one, if one thinks about the progress China has made in building up its physical and soft infrastructure," said Eswar S. Prasad, an economist at Cornell University who specializes in trade policy. The infrastructure law "is a good defensive measure," he added. "But will it fundamentally alter the dynamics? Not by itself."

Even as his administration begins spending the money in the law to upgrade bridges, broadband internet, water pipes and more, broad swaths of Mr. Biden's agenda to compete economically with the Chinese remain stuck in Congress. A bill to significantly increase federal research and development spending on advanced batteries, semiconductors and other high-tech industries — which the president was forced to drop from his initial infrastructure proposal — has cleared the Senate but not the House, though administration officials expect it to eventually pass.

Mr. Biden's additional plans to stimulate more low-emissions energy production, including hundreds of billions of dollars in tax incentives, hinge on passage of a $1.85 trillion spending bill that Democrats have yet to find consensus on. That bill also contains spending on early childhood education, child care and other support for the work force that economists say will help the United States bolster the skills and productivity of its workers.

If the president can shepherd those two bills through Congress, analysts say, he could have a foundation for a U.S. industrial policy that rivals Chinese investments in manufacturing and advanced technology. If he cannot, he will still have better transportation, energy and information sectors domestically, but his efforts to counter China will be incomplete.

Chinese commentators have taken notice. An editorial this month in Global Times, a popular tabloid controlled by the country's Communist Party, called the infrastructure bill a "feeble imitation of China" and said it was "tantamount to a fairy tale" that the measure alone would revitalize U.S. competitiveness.

Mr. Biden has leaned into the issue as he sells Americans on the benefits of the law. Hours before he met virtually with President Xi Jinping of China on Monday, during a signing ceremony with hundreds of attendees at the White House, Mr. Biden put the countries' economic rivalry front and center.

"I truly believe that 50 years from now," he said, "historians are going to look back at this moment and say, 'That's the moment America began to win the competition of the 21st century.'"

Brian Deese, the director of Mr. Biden's National Economic Council, said in an interview that the law would increase competitiveness and productivity through a variety of spending programs.

"This bill is going to be a game-changer in getting Americans to work," Mr. Deese said.

He added that it would allow people to gain access to economic opportunities through better public transportation, roads and bridges, and provide high-speed internet, which he called "the lifeblood of the 21st-century economy."

China's large investments in its own infrastructure, and its threat to U.S. dominance in new and longstanding global industries, loomed large over the congressional negotiations that produced the law. Democratic and Republican lawmakers are more attuned than ever to Chinese spending, thanks to Mr. Biden and President Donald J. Trump, who both put competition with China at the center of their presidential campaigns last year.

Understand U.S.-China Relations

A tense era in U.S.-China ties. The two powers are profoundly at odds as they jockey for influence beyond their own shores, compete in technology and maneuver for military advantages. Here's what to know about the main fronts in U.S.-China relations:

Government investment in infrastructure and advanced industries has been key to China's economic transformation to a country of skyscrapers and bullet trains from one of subsistence farming, bicycles and dirt roads only 40 years ago. Partly because of hefty government subsidies, the country manufactures more than half of the world's steel and cement, most solar panels and a growing share of electric vehicles.

China spends more than 5 percent of its gross domestic product on infrastructure, far more than most developed countries and several times the proportion in the United States, where federal infrastructure spending is poised to grow to about 1.2 percent of gross domestic product in the coming years, according to the Metropolitan Policy Program at the Brookings Institution.

U.S. officials have accused China of seeking advantage through more nefarious means as well. Mr. Biden raised concerns about China's "unfair trade and economic policies" in his virtual meeting with Mr. Xi on Monday, according to a White House readout of the call. Mr. Biden has chosen to maintain tariffs that Mr. Trump imposed on China as retaliation against what his officials charged were intellectual property violations and other unfair trade behaviors.

Most economists say the tariffs are not an effective way for the United States to outcompete China in the race to dominate global manufacturing and engineering in high-tech industries, including advancements in energy and transportation systems to reduce the greenhouse gas emissions that are driving climate change. Many of them instead push for federal research support, like what Mr. Biden proposed in his initial infrastructure plan, along with measures to better support a more flexible group of workers.

"The key to competition with China is not more tariffs and that kind of thing. It's improving the competitiveness of the American work force, of American businesses," said Chad P. Bown, a senior fellow at the Peterson Institute for International Economics who specializes in trade.

Mr. Bown said the United States had lagged behind China and other competitors not only in physical infrastructure spending in recent years, but in spending on its social safety net and measures to help workers and businesses adjust to automation and other rapid changes in the global economy.

"These are the kinds of investments you should do," Mr. Bown said, "even if there was no China."

Ana Swanson and David E. Sanger contributed reporting.