**2021. 04. 15 Bunker  
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**1. COUNCIL FOREIGN RELATIONS  
To compete with China's Belt and Road, the U.S. should focus on R&D, immigration, technology, and trade.** ([**https://www.cfr.org/blog/competing-china-lessons-belt-and-road**](https://www.cfr.org/blog/competing-china-lessons-belt-and-road))  
April 1, 2021  
A massive global investment program led by the Chinese state, the Belt and Road Initiative (BRI) creates significant risks for the United States’ economic and security interests. As our recent [Independent Task Force report](https://www.cfr.org/report/chinas-belt-and-road-implications-for-the-united-states/) outlines, to effectively respond to BRI the United States must first become more competitive with China.

Many of the advantages long enjoyed by the United States are starting to decline, particularly in high-tech areas like artificial intelligence (AI). In a few areas, like high-speed rail and 5G, the United States is already outmatched. To counter BRI, the United States has be able offer its partners a compelling alternative to Chinese products, technology, and investment. Last week, President Biden [suggested](https://www.aljazeera.com/economy/2021/3/26/biden-suggests-creating-initiative-to-rival-chinas-belt-and-road)that the United States should, along with its partners, pursue a large-scale infrastructure initiative to rival BRI. For such an initiative to be successful, however, the United States will have to take assertive steps to rebuild its own competitiveness.

That effort should begin at home and be focused on three critical areas: 1) research and development, 2) immigration, and 3) technology and tech standards. It must then move to support U.S competitiveness through actions abroad, particularly through stepped up commercial diplomacy and a reenergized trade agenda.

Support for Research and Development and Basic Science is Critical  
To [keep our edge](https://www.cfr.org/report/keeping-our-edge/) in generating the world’s leading technologies, the stagnation in federal investment and support for research and development (R&D) must be reversed. Currently, federal R&D spending is at its [lowest level in roughly sixty years.](https://www.aei.org/economics/us-federal-research-spending-is-at-a-60-year-low-should-we-be-concerned/#:~:text=With%20less%20urgency%20in%20the,spending%20equaled%200.6%25%20of%20US) China, by contrast, is [set to increase](https://www.bloomberg.com/news/articles/2021-03-05/chinese-premier-calls-for-major-breakthroughs-in-core-tech) its R&D funding by seven percent annually for next five years, starting from an already high level. To effectively compete, the federal government should boost its research and development spending to the historical average of 1.1 percent of GDP, if not more.

Much of this funding should be directed towards critical areas such as AI, quantum computing, advanced battery storage, and next-generation telecommunications research. In these cutting-edge arenas, public sector investment plays an important role as it can engage in long-term or high-risk projects, as well as basic research, that may not attract the private sector. The fruits of these public sector investments then frequently serve as fuel for private sector innovation.

Fostering innovation and creativity, however, also requires foundational investments in basic science, technology, engineering, and mathematics (STEM) skills. Increasing investment in STEM education at all levels—from kindergarten to graduate school—will be essential to boosting American competitiveness.

This week, as part of the American Jobs Plan, President Biden [proposed](https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/) an additional $180 billion dollars in federal research expenditure in addition to investments in other critical industries. The bill also includes large investments in education and retraining programs. If passed, this spending would likely enhance the United States' ability to offer a competitive alternative to BRI.

Attracting and Retaining Talent Matters  
Effectively competing with China will also require the United States reform its immigration system to attract global talent. One area of particular importance is the ability to attract and retain foreign students. In 2015, nearly [eighty percent](http://nfap.com/wp-content/uploads/2017/10/The-Importance-of-International-Students.NFAP-Policy-Brief.October-20171.pdf) of U.S. graduate students in computer science and electrical engineering were foreign nationals. There is a risk, however, that students in critical areas like AI may [choose to return home](https://cset.georgetown.edu/wp-content/uploads/Keeping-Top-AI-Talent-in-the-United-States.pdf) if the United States does not carry out the reform needed to continue to attract students, potentially cutting off American firms from important human capital.

The Biden administration should move to grant green cards to postgraduate degree holders, raise the cap on H-1B visas, and create visas specifically for those employed in critical technology sectors.The Biden administration’s [proposed immigration bill](https://www.visalaw.com/siskind-summary-us-citizenship-act-biden-immigration-bill/#:~:text=Biden%20Immigration%20Bill%E2%80%9D)-,Siskind%20Summary%20%E2%80%93%20The%20US%20Citizenship%20Act,the%20%E2%80%9CBiden%20Immigration%20Bill%E2%80%9D)&text=The%20bill%20states%20as%20its,system%2C%20and%20for%20other%20purposes) already takes an important step in this direction by removing limits on green cards for doctoral STEM graduates. If it is unable to implement policies that allow it to draw on this talent pool, the United States could struggle to keep up with China. As the [recent report](https://www.nscai.gov/wp-content/uploads/2021/03/Full-Report-Digital-1.pdf) by the National Security Commission on Artificial Intelligence put it, “immigration reform is a national security imperative.” Particular care should be given to Chinese students, who represent roughly [thirty percent](https://qz.com/1410768/the-number-of-chinese-students-in-the-us-charted-and-mapped/) of foreign students in the United States. While there are [real security concerns](https://www.cnn.com/2019/02/01/politics/us-intelligence-chinese-student-espionage/index.html) associated with certain Chinese students, an overly aggressive set of security policies [could discourage](https://www.nafsa.org/ie-magazine/2020/12/7/us-china-relations-2020-perspective) the remainder of these students from bringing their talent to this country.

Technology is the Lynchpin  
The COVID-19 pandemic has forced China to recalibrate BRI. The building of roads, railways, ports, and power plants has given way to a BRI centered on technology—primarily telecommunications, health care, and financial services. This shift to a technology-focused BRI presents additional risks for the United States.

The success of Chinese companies such as Huawei and ZTE in building 5G in Africa and parts of Asia is making it difficult for Western companies to sell similar technologies in these regions. China’s financial technology giants, like Ant Group and Tencent, have used government subsidies and the vast amounts of data available from mobile payment apps to establish dominant positions in many BRI countries. China’s preferred technical standards are becoming the norm in many BRI countries, due in part to intense Chinese participation at international standards setting bodies such as the International Telecommunications Union (ITU).

To respond, the United States should support the commercialization of advanced technologies. It should also work to ensure the standards governing those technologies reflect American interests. That means encouraging the U.S. private sector—particularly small and medium-sized enterprises (SME)—to engage with international standards settings organizations, as well as coordinated and consistent participation in standards-setting activities by the U.S. government.

Re-energizing Commercial Diplomacy and Trade  
For the United States and American companies to earn back a reputation as a better alternative to China for infrastructure or technology or health care needs, the United States should shore up its commercial diplomacy, clearly communicating the long-term advantages of partnering with U.S. firms—including transparency in terms, financial sustainability, environmental impact assessments, product quality, and greater transfer of skills and knowledge to local workforces—to BRI nations.

Part of that outreach should also include the establishment of regional hubs in Africa, Latin America, and Southeast Asia, staffed with officials from the U.S. Export-Import Bank, Development Finance Corporation, the Department of Commerce, and the Department of State to facilitate the packaging of American technological services into a single competitive tender.

The United States should also look to implement high standards trade agreements that provide opportunities and competitive advantages to American firms. It should build on the U.S.-Japan Digital Trade Agreement and work to maintain a free and open internet linking the U.S. with like-minded countries. It should also signal the interest of the United States in improving and then joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

In sum, China’s BRI presents an imposing challenge. The United States can best meet that challenge by making reforms that accentuate its existing strengths. Doing so will allow the United States to offer developing nations a credible alternative to Chinese technology and investment without compromising its fundamental values.

**2. COUNCIL FOREIGN RELATIONS   
China’s Belt and Road Initiative Should Be on the World Bank and IMF’s Agenda (https://www.cfr.org/blog/chinas-belt-and-road-initiative-should-be-world-bank-and-imfs-agenda)**April 7, 2021The Spring Meetings of the World Bank Group and International Monetary Fund (IMF) convene virtually this week against the backdrop of a historic health crisis and an uneven economic recovery. The COVID-19 pandemic precipitated the most serious economic downturn since the Great Depression, causing the global economy to [contract](https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update) by 3.5 percent last year. While some countries are beginning to bounce back, emerging market and developing economies face a longer recovery, as many lack access to vaccines and the fiscal space to deploy significant economic stimulus.

As the World Bank and IMF seek to put the world economy on a more stable footing and promote sustainable growth, there is one issue they cannot ignore: China’s Belt and Road Initiative (BRI). China’s massive global infrastructure program has increased debt levels to a worrying extent in many developing countries, threatening to hinder their economic recovery. The Bretton Woods institutions need to confront this issue head-on, rather than sweeping it under the rug.

BRI meets significant development needs, by funding and building physical and digital infrastructure projects around the world. That is the good news. The bad news, as our recent Council on Foreign Relations Independent [Task Force](https://www.cfr.org/report/chinas-belt-and-road-implications-for-the-united-states/) points out, is that BRI also contributes to economic instability. China’s lending practices have increased indebtedness to alarming levels in some BRI partner nations. Because they enjoy state backing, China’s state-owned commercial and policy banks can relax lending criteria and finance projects that nobody else will, even as they generally lend on [commercial](https://www.cgdev.org/publication/chinese-and-world-bank-lending-terms-systematic-comparison) rather than concessional terms. As a result, China has funded many large projects that cannot pay for themselves, leading host countries to become overextended and economically fragile.

Even before COVID-19, the World Bank [estimated](https://openknowledge.worldbank.org/handle/10986/31904) that nearly one-third of BRI countries were at high risk of debt distress. Although BRI is just one factor behind such debt pressure, there is no doubt that its megaprojects have deepened the macroeconomic plight of many nations. In [Pakistan](https://www.cfr.org/blog/china-pakistan-economic-corridor-hard-reality-greets-bris-signature-initiative), the $62 billion China-Pakistan Economic Corridor helped [precipitate](https://www.imf.org/en/Publications/CR/Issues/2017/07/13/Pakistan-2017-Article-IV-Consultation-Press-Release-Staff-Report-Informational-Annex-and-45078) a balance of payments crisis, necessitating a $6 billion IMF [bailout](https://www.imf.org/en/News/Articles/2019/07/03/pr19264-pakistan-imf-executive-board-approves-39-month-eff-arrangement). Sri Lanka, unable to make debt payments to its Chinese creditors, [handed over](https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html) control of a port for 99 years. [Kenya](https://www.cfr.org/blog/belt-and-road-kenya-covid-19-sparks-reckoning-debt-and-dissatisfaction) offers another cautionary tale, as fears grow that the country will be unable to repay China for its disastrously unprofitable $4.7 billion railway.

The COVID-19 pandemic struck when many BRI partners were at their most vulnerable: projects had not yet begun to pay for themselves, and countries started facing debt payments alongside increased healthcare and social expenditures, even as state revenues plummeted. As a result, many countries have found it difficult to repay their BRI loans, increasing the risk of debt crises. Should these materialize, ailing countries will be forced to make painful tradeoffs. Meanwhile, debt distress boosts China’s geopolitical leverage over partner nations, especially given Beijing’s practice of using foreign assets as loan collateral. While it is unlikely China will seize infrastructure, that very possibility may lead countries to defer to China on political or strategic issues, to the detriment of the United States.

BRI borrower nations clearly need relief, and many have [sought](https://rhg.com/wp-content/uploads/2020/10/RHG_SeekingRelief_8Oct2020_Final.pdf) it directly (see the chart above). Before COVID-19, [Malaysia](https://www.ft.com/content/660ce336-5f38-11e9-b285-3acd5d43599e) and [Myanmar](https://www.reuters.com/article/us-myanmar-china-portexclusive/exclusive-myanmar-scales-back-chinese-backed-port-project-due-to-debt-fearsofficial-idUSKBN1KN106) renegotiated unsustainable deals, and countries from [Serbia](https://asia.nikkei.com/Spotlight/Belt-and-Road/Cautious-EU-holds-China-s-Europe-ambitions-in-check) to [Thailand](https://asia.nikkei.com/Spotlight/Belt-and-Road/Thai-Belt-and-Road-project-bumps-into-finance-and-liability-issues) delayed, shrunk, or cancelled BRI projects. Since the pandemic began, however, newly urgent requests for debt assistance have found only limited success. China [rarely cancels debt](https://rhg.com/wp-content/uploads/2020/10/RHG_SeekingRelief_8Oct2020_Final.pdf), instead opting to increase loan maturity, reschedule payments, and extend new credit (see the chart below).

The Spring Meetings offer an opportunity to shine a light on China’s problematic lending practices and its inadequate response to rising debt across BRI nations, which risk undermining the nascent global economic recovery. The World Bank and IMF should press China to publish data on its overseas lending and advocate for improved transparency in BRI projects, which would help ensure more reliable macroeconomic oversight. The World Bank should also begin the process of returning the focus of its lending activities to infrastructure to ensure that countries with legitimate financing needs have a high-standards alternative to BRI. The United States could encourage this shift by advocating for recapitalization of the World Bank and other multilateral development banks.

Following the Spring Meetings, the United States should work with like-minded countries in the IMF to make clear that the Fund will not bail out nations that take on unsustainable debt through BRI. At the same time, the United States should support coordinated efforts to provide some relief to nations that have become overextended. This should include extending through the end of the year the G20’s Debt Service Suspension Initiative, which currently permits seventy-three [eligible](https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative) countries to suspend debt-service payments through June 2021. The United States should also marshal multilateral pressure on China to treat BRI-related claims as official debt, subject to generous restructuring terms. Finally, the United States and its partners should implore China, the world’s largest official creditor, to join the Paris Club so that during the next crisis it cannot pursue opaque bilateral consultations.

The Spring Meetings should address BRI’s pitfalls and advance policies to help put BRI countries on the path toward recovery and sustainable growth. The United States should work with its partners under the auspices of the World Bank and IMF to offer an alternative to BRI and press China to improve its lending practices—to protect against macroeconomic instability, promote higher standards of development cooperation, and boost the nascent economic recovery.

**3. The Heritage Foundation**  
**A New Comprehensive China Policy: Principles and Recommendations for a Serious Debate in Congress(**https://www.heritage.org/asia/report/new-comprehensive-china-policy-principles-and-recommendations-serious-debate-congress**)**April 9, 2021  
Senate Majority Leader Chuck Schumer (D–NY) has prioritized Senate passage of a major new bill on U.S. China policy. How the bill will come together—a total of eight committee chairs have been tasked with drafting it—remains an open question. Whatever the ultimate vehicle, this bill is a once-in-a-decade opportunity for Congress to develop a comprehensive approach to China. It should adhere as closely to the regular order as possible. In the process, Members should consider the following principles and specific policy recommendations.

Seven Principles for a Congress-Led China Policy

In order to fashion a China policy that is in the U.S. national interest, Congress should:

**1. Go Big.** Some Members want to make the bill entirely about economic competitiveness. But the China challenge encompasses a much larger gambit. It is also about more than the U.S. military presence in the region—which is essential to the U.S. presence in the Indo–Pacific and handled by Congress through the National Defense Authorization Act (NDAA) and defense appropriations bills.

There are diplomatic issues at stake. There are issues involving Taiwan, Tibet, and Xinjiang, and faith communities of many stripes. There are domestic regulations that handicap the U.S. globally. All these and many other issues need to receive proper, systematic treatment. The U.S. competed with the USSR for 40 years in every area of engagement, all within the general framework of containment, and learned to adjust and adapt as conditions warranted. A similar comprehensive approach is warranted with respect to China, certainly different than the Soviet Union, and more complex, and thus needing similarly big ideas.

**2. Watch the Congressional Purse.**As one-time Senate Minority Leader Everett Dirksen (R–IL) is said to have remarked: “A billion here, a billion there, and pretty soon you’re talking about real money.” The fact that the federal debt is above $28 trillion and growing, with many looking the other way, does not mean that “money is no object.” Someday, the U.S. will have to make good on these debts. America’s strength lies not in how much taxpayer (and bond holder) money it can promise, but how well it can harness the advantages of its educational and research institutions, its deep markets, and the ingenuity of its people.

**3. Stay Engaged.**Congress often passes legislation on foreign policy and then forgets about it. In the upcoming China debate, Congress should institute forward-looking procedures requiring affirmation of the policies’ implementation. Carefully constructed certification and reporting requirements can be useful. Conversely, reporting requirements meant to simply prevent a Member from offering a more substantive proposal, are not.

**4. Use Waivers Sparingly.**There are ways to draft waivers that preserve congressional intent. The complex and amended waivers in the 2017 Counter America’s Adversaries Through Sanctions Act are good examples. On the other hand, blanket “national interest” or “national security interest” waivers are not the most effective use of Congress’s time.

Similar to the dynamics around reporting requirements, in processing the dozens of amendments that will be offered on this bill, it will be tempting to agree to the most sweeping of waivers. Members should resist. If their commitment is not strong enough to defend their amendment and force a vote, they should not offer it. U.S.–Chinese relations are headed in one direction for the foreseeable future. It will be exceedingly difficult for the Administration to argue for maximum diplomatic flexibility.

**5. Avoid Protectionism.** COVID-19 highlighted U.S. dependence on China for such necessities as pharmaceuticals and personal protective equipment. Congress has also recently stood up a task force to examine national security supply chains and their vulnerability to Chinese influence. In the past, the U.S. has responded by requiring certain commodities or sectors to be supplied only from domestic U.S. sources. Often, such efforts are driven by a desire to shore up an ailing U.S. industry. Such remedies result in higher prices and often do not fix the base problem.

Instead of protectionism, the U.S. should focus on targeted measures that restrict critical purchases from entities controlled by the Chinese Communist Party and allow the United States to take full advantage of its rich network of allies to meet its national security needs.

**6. Create a Policy Framework.**One need look no farther than the Taiwan Relations Act (TRA) to know that congressional policy statements matter. Administrations come and go, but the TRA has remained. Another example is the enduring value of the 1992 Hong Kong Policy Act, on which most action on Hong Kong has been built since. Congress should aim to create the same sort of lasting policy on China policy generally. It should think beyond the length of one session of Congress or one Administration, or the next election cycle.

**7. Look Beyond China Itself.** China presents the U.S. with many direct challenges. It seeks to constrain the movement of the U.S. Navy in international waters. Its agents steal U.S. intellectual property. With Made in China 2025 and Standards 2035, it has publicly declared economic war on vital elements of the U.S. economy. It is trampling on the rights of America’s friends in Hong Kong and destitute mainlanders. But the U.S. is not alone in this struggle. It has allies in Australia, Japan, the Philippines, South Korea, and Thailand, and partners in India, Taiwan, Singapore, and throughout Europe. Whether Congress is talking about foreign policy or supply chains, it must keep the broader supportive context in mind.

14 Priorities for a Comprehensive China Bill

The following list is not exhaustive. The base China legislation and floor debates will involve many worthwhile proposals. This list is a sample of some of the highest-priority, immediately actionable items.

**1. Taiwan.** As much as Congress has done over the past few years, much remains to be done. Congress should take action on the provisions contained in the Rubio–Merkley Taiwan Relations Reinforcement Act, including making the director of the American Institute in Taiwan a Senate-confirmed position and helping U.S. businesses and nongovernmental organizations navigate pressure from China on Taiwan-related issues.

Congress should make an unequivocal, binding statement in support of a free trade agreement with Taiwan. The U.S. Trade Representative’s (USTR) institutional tendency is to avoid Taiwan. At the very least, a substantive proposal and debate will force it to face Taiwan.

To help facilitate regular interaction on trade issues, Congress should require the USTR to remove it from the same office dealing with China and put it under the authority of the Assistant USTR handling Japan, Korea, and the Asia–Pacific Economic Cooperation. Dealing with China takes up so much of the USTR’s time that there is little left for Taiwan, even if the USTR is inclined to engage it. It often is not, due to Beijing’s sensitivities, another aspect of the gap that separating the functions will help ameliorate.

**2. Xinjiang.** Congress should direct the Administration to tackle forced labor in China by requiring an expansion of existing cotton and tomato Withhold Release Orders (WROs) to a region-wide level for a two-year period. Congress should provide that, if an overwhelming percentage of goods apprehended by the U.S. Customs and Border Protection under the expanded WRO are found to have been produced with forced labor, the U.S. must institute a region-wide rebuttable presumption that goods produced in certain sectors of Xinjiang are produced with forced labor. In addition to addressing forced labor, Congress should extend Priority-2 refugee status to Uyghurs fleeing persecution in China.

**3. Hong Kong.**Congress should extend safe haven protections to Hong Kong citizens facing newfound persecution by declaring them eligible for P-2 refugee status. According to U.S. refugee laws, a refugee is an individual who has experienced, or has a well-founded fear of future, persecution on account of “race, religion, nationality, membership in a particular social group, or political opinion.”**3**The Department of Homeland Security should remain in charge of evaluating the eligibility of individuals seeking refugee status.**4**

**4. U.S.–Chinese Space Cooperation.** Congress should codify prohibitions on U.S.–Chinese space collaboration in what is currently renewed annually in the appropriations process, and expand congressional notifications to include the Senate Foreign Relations and House Foreign Affairs Committees. Congress should also tighten executive branch waiver authority, or scrap it altogether in favor of the direct approach to military-to-military engagement in the FY 2000 NDAA.

**5. The Better Utilization of Investments Leading to Development (BUILD) Act.** Congress should reform the BUILD Act to make it explicitly about countering Chinese influence.What makes U.S. government-provided foreign infrastructure financing and risk insurance at all palatable is its place in a broader China strategy. That place should be made clear in the law that authorizes the new International Development Finance Corporation. Funds should also be made subject to the regular appropriations process so that Congress can maintain sufficient oversight.

**6. Chinese Cyber Theft.** Congress shouldcodify Executive Order 13694, which blocks property of foreign entities engaged in cyber theft and other cyber malicious activities, expand the action to physical theft and deemed exports, and decouple the sanctions from reliance on the International Emergency Economic Powers Act.

**7. Confucius Institutes.**Congress should require universities and K–12 schools to disclose their financial ties to Confucius Institutes—nationwide propaganda organizations, masking as cultural institutions, sponsored by the Chinese government. Shortly after taking office, the Biden Administration withdrew a rule proposed late in the Trump Administration to do so. Congress should require it to be reinstated. As for the purported purpose of the institutes to encourage the study of Mandarin, there are alternative ways of ensuring a sufficient pool of Mandarin speakers is available for U.S. government service.

**8. Easing Export Controls on India.**Congress should revise the Arms Export Control Act to include India among a special group of NATO alliance members and key non-NATO partners (Australia, Israel, Japan, New Zealand, and South Korea) facing lower regulatory hurdles to U.S. arms exports.

**9. Chinese Influence within International Organizations.** China is using economic and diplomatic pressure to secure support in international organizations. Congress should authorize the Administration to use aid and other incentives as a counterweight. Beijing has also clearly signaled its desire to put Chinese nationals in positions of authority in the United Nations system. The U.S. needs to be well prepared for appointments and elections. It should develop a robust list of prospective candidates and ongoing procedures to campaign and rally support for these candidates.

Congress can help by establishing an office to coordinate this process and renew the congressional reporting requirement on the status of U.S. employment in the U.N. to help keep track of progress. Finally, Congress should use its financial leverage to enhance U.N. transparency, whistleblower protections, and accountability, which help to reveal malfeasance in the U.N. system.

**10. Rare-Earth Minerals.**Congress should address concerns about supplies of rare-earth minerals by focusing on reform at home. It is not China that has made these minerals difficult for the U.S. to secure, but domestic regulation. Actions that Congress can take to get at the problem include clearly defining “navigable waters” in the Clean Water Act to strictly limit federal authority, prohibiting pre-emptive and retroactive vetoes under Section 404 of the Clean Water Act, empowering states to manage their water resources, repealing the National Environmental Policy Act, reforming the Endangered Species Act, prohibiting the use of the social cost of carbon in regulatory proceedings, and eliminating agencies’ ability to regulate greenhouse gases.

**11. The 2022 Winter Olympics.** Congress should encourage the International Olympic Committeeto postpone the 2022 Beijing Olympics and select a new host country. In the absence of such a change, Congress should call for an international diplomatic boycott. This means no official attendance beyond what is necessary for the participation and security of U.S. athletes.

**12. Religious Liberty.**Congress should require the Administration to issue a report listing individuals and entities sanctionable under the Global Magnitsky Act, along with explanations for why they may not yet be sanctioned.

**13. Banking-Sector Reform.** Congress should reduce impediments to competition in the financial-services sector so that people will want to invest in U.S. markets instead of in other countries. To strengthen the U.S. financial-services sector and attract more investment and capital formation, Congress should implement reforms, such as creating new charters for financial firms that eliminate activity restrictions and reduce regulations in return for straightforward higher-equity or risk-retention standards, as well as adjusting the currency-transaction-report threshold for inflation from $10,000 to $60,000 and the non-bank reporting threshold for inflation from $3,000 to, $10,000 and repealing the beneficial ownership reporting regime on small businesses.

**14. Digital Currency.** Congress should respond to China’s plans for creating a digital currency by fostering innovation at home. The United States cannot assert significant influence over China’s digital currency plans. It can, however, orient its own policies to create a prosperous environment for America’s financial innovations. Congress should remove barriers to market entry for alternative monies, and ensure that no single type of money enjoys a regulatory advantage. At a minimum, Congress should amend “legal tender” laws, eliminate capital gains tax disadvantages, and modify private coinage statutes.