

Securing America's critical infrastructure



By Erik Olson - - Tuesday, January 16, 2018

ANALYSIS/OPINION:

President [Trump](#) campaigned on keeping America secure from foreign threats and now he has the opportunity to do just that.

This past December, the Trump administration released its first National Security Strategy (NSS), which emphasized the importance of protecting U.S. industries from dangerous, anti-competitive practices from China and other countries. Last Week, the Commerce Department concluded its “Section 232” investigation on the national security implications of unfair steel imports and submitted recommendations to President [Trump](#) for action in support of American interests and giving the administration the chance to put teeth in the NSS.

Given the extent to which U.S. steel manufacturers and workers have been hurt by imports, the Section 232 investigation has been the subject of much attention. Less widely discussed, but equally vital, is whether the administration will use its Section 232 authority to protect our critical infrastructure, especially U.S. rail manufacturing, which is being aggressively targeted by China.

Freight rail is a significant driver of the U.S. economy, with a physical presence in nearly every community in the nation. Since 2015, the Chinese government-owned company CRRC — a massive conglomerate that is bigger than all of America’s rail manufacturers combined — has employed underhanded business practices to seize control of the U.S. rail equipment sector.

CRRC's first step was to win transit equipment contracts in major U.S. cities by submitting artificially low bids — sometimes underbidding by as much as 50 percent. In just two years, CRRC has secured contracts to provide rail equipment for systems in Boston, Philadelphia, Los Angeles and Chicago, and is looking to do the same in Washington, D.C. and Atlanta.

As a state-owned entity, CRRC gets unlimited funding, lowering its cost of capital and enabling transit agencies better terms by having the Chinese government finance their purchases at below-market rates.

The Massachusetts Bay Transit Authority got such a good deal from China that it waved off federal funding entirely, allowing it to avoid “Buy America” rules that would have otherwise applied. CRRC is importing fully-built, shrink-wrapped equipment from China, and will soon begin assembling vehicles using imported Chinese steel products. With pre-fabricated equipment and Chinese assembled products comes the threat of a foreign government maintaining direct access to the cyber components of our rail infrastructure — a clear vulnerability to our national security.

China has been quite transparent about their ambitions. CRRC recently boasted about its market dominance on Twitter; “So far, 83% of all rail products in the world are operated by #CRRC or are CRRC ones. How long will it take for us conquering the remaining 17%?”

Unless the administration takes action, there is little doubt that CRRC will use its foothold in U.S. transit as a stepping stone into freight rail manufacturing, devastating a now-vibrant industry which supports 65,000 American jobs and produces \$6.5 billion in GDP, according to a recent study from the Oxford Economic Group.

Even more worrisome, the Chinese government will gain control of a vital part of our national infrastructure, which transports industrial, military and sensitive materials (think nuclear waste) through every major city and military base in the nation.

Think it can't happen? In Australia, CRRC used the same tactics they're employing here to demolish the domestic freight rail manufacturing sector in less than a decade. Other countries, including those in the European Union, have taken note and taken steps to protect themselves from this very real threat. It's time for our government to do the same.

Mr. Trump must use his authority under Section 232 to block the Chinese Government's efforts to undermine America's rail manufacturing industry, ensuring that our freight rail system remains secure, and safeguarding the jobs it supports.

- *Erik Olson is vice president of the Rail Security Alliance, an alliance of companies and individuals looking to ensure the security of America's railroad system.*