TRANSCRIPT
Event
“Countering China’s Economic Coercion - Report Launch”

Keynote Remarks and Q&A with Senator Todd Young

DATE
Wednesday, March 22, 2023 at 10:00 a.m. ET

FEATURING
Senator Todd Young
Senate Foreign Relations Committee and Senate Finance Committee

CSIS EXPERTS
Matthew P. Goodman
Senior Vice President for Economics, CSIS

Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com
Matthew P. Goodman: We’re now in for the main course or the dessert, I don’t know, depending on which you prefer. I’m a dessert guy, so I’ll take dessert.

We are delighted that we have Senator Todd Young of Indiana with us today. He’s been in the Senate since 2017. He was a member of Congress for three terms before that. He’s on the Committees on Finance, Foreign Relations, Commerce, and Small Business, so he’s got a wide range of expertise and responsibility across many of the issues that we’re touching on, actually, at CSIS and in the Economics Program specifically. He is a graduate of the U.S. Naval Academy and was a U.S. Marine – sorry, is a U.S. Marine. Pardon me. And has an MBA and a law degree. He’s got a very accomplished background, and that’s terrific to bring to this – all of that experience to this conversation about China’s economic coercion.

Most importantly, probably, in the specific terms of this conversation, Senator Young and his colleague Senator Coons of Delaware cosponsored the Countering Economic Coercion Act of 2022. They’ve reintroduced similar legislation in the current Congress just last month. And I’m sure the senator’s going to talk about that.

So, with that, let me – please join me in welcoming Senator Young to the stage. Thanks. Really appreciate it. (Applause.)

Senator Todd Young: OK. All right. Well, thank you, Matt. Thank you for the generous introduction. I want to thank CSIS for hosting this important conversation. I always look forward to an opportunity to visit CSIS. Consistently, it’s this think tank that tackles pressing challenges and tries to tease out practical ideas to handle them, and I think that’s certainly applicable to today’s conversation.

I just returned several weeks ago from Japan and Taiwan. In fact, I was the first member of Congress to visit Taiwan in 2023. And I visited with a number of government leaders, business leaders, and other stakeholders, sought to provide some measure of reassurance to all of those leaders about the U.S. presence in the region and our willingness and eagerness to find ways to deepen our partnership with our friends and others in the area. And I wanted to send a message that there was going to be constancy to our support as well. There’s been some question about that moving forward.
I prioritized this trip because there is, indeed, unity on Congress – within Congress as it relates to this competition. There are some exceptions, of course, and many of them are quite vocal, but I see support for our allies and partners in the Indo-Pacific region as being a real area ripe for practical solution implementation over the next couple of years.

We discussed reinvesting in trade and commercial ties throughout the region in particular; but we also discussed military relations, the importance of reinforcing those relationships, as well as our diplomatic and development posture across the entire region. It’s important that we prioritize all of these instruments of power if we’re to capably partner with likeminded governments and societies in the regions – in the region as we tackle a host of different challenges, but I think we would all agree that the most taxing geopolitical challenge that we’re faced with, if we’re to define it broadly, is how to stop the CCP’s ambitions of dominating first Asia and then, we have to assume, much of the rest of the world with their authoritarian model.

I won’t, of course, unpack every facet of this challenge today. That’s not the scope of this conversation. But I want to discuss one major aspect of the CCP’s aggressive tactics, and that is economic coercion. China has used coercive measures as a cudgel to force governments to accede to their propaganda and policies on things as diverse as Taiwan’s sovereignty and the origins of the COVID pandemic. And this coercion is not limited to just the Indo-Pacific region. We witnessed this when China blocked imports from Lithuania for having the courage to question the CCP’s one-China policy. Worse, political and security coercion are quick to follow when economic coercion succeeds.

These threats and grabs for power, of course, can’t go unchecked. So last month, I reintroduced legislation that Matt mentioned with Senator Chris Coons that provides our country with another tool in our toolbox as we compete with China. The Countering Economic Coercion Act would give the president the ability to help our foreign partners on an expedited basis when they’re targeted for standing up to authoritarian regimes.

On an – specifically on an emergency basis, it gives the president authority to do a few things. First, decrease duties on certain imports into the United States to make up for a partner’s lost exports. Second, increase duties on imports from the bad actor.
And lastly, expedite the regulatory process for increasing bilateral trade.

Additionally, it directs the coordination of U.S. efforts – and I think this will be key – coordination of U.S. efforts with partners and allies to ensure that China faces a unified front. These are authorities we really need to approve right now so that we don’t squander the opportunity to provide a clear alternative to China when the next crisis emerges as it inevitably will.

The CCP thinks it can drive a wedge between our allies and partners by using economic intimidation or by harming economies through opaque informal actions. By supporting our partners under threat we protect America’s own national security interests. When I visited Tokyo, it was encouraging to see that combating economic coercion is a pillar of the new Japanese national security strategy.

Now, I’m sure Ambassador Emanuel highlighted the importance of this as well. Clearly, our allies, especially those threatened by China, are taking this challenge very seriously. There will be, of course, no silver bullet for managing China’s external actions over the coming decades.

No single trade deal, no single speech, no visit by a delegation is going to be sufficient. Even shoring up our eroding military deterrence in the region won’t by itself put the United States and our regional partners and allies on the path to competing with China and reaching what one commentator has described as a decent piece.

I’ve been encouraged by the actions of successive administrations to shine a bright light on China’s bad behavior and begin the process of reducing our vulnerability to economic and political coercion. But much is left to be done and global challenges threaten to distract us from what must be our primary global priority. This must be a priority, again, for Congress on a bipartisan basis and also for the executive branch.

In the 21st century our mission must be to use all the tools at our disposal so we don’t risk having to commit America to another war, potentially, for the security of the Indo-Pacific.

I appreciate your attention to these important matters and for holding this important conversation today. Thanks again to CSIS,
and we’ll look forward to working together on some of these issues. Thank you, Matt. (Applause.)

Mr. Goodman: Have a seat right there. I think that’s the right – please, have a seat. Thanks so much.

Sen. Young: Thank you.

Mr. Goodman: Thanks, Senator. That was terrific and a great sort of complement to what we were talking about earlier and touched on some of those issues, not all of them. If I could ask a couple of questions if you’ll –

Sen. Young: Of course.

Mr. Goodman: – forebear. So in our report we looked at these eight case studies and we, you know, came away with a conclusion that, you know, China’s coercion is problematic and disruptive. We need to try and do something to deter it, and we concluded that there’s sort of three Rs that you could use to do that, which are retaliation, resilience, and relief, and we found ourselves drawn more to the resilience and relief Rs, as it were, rather than retaliation because, you know, it’s not clear that the retaliation effect is going to really change China’s behavior and, you know, there’s a cost on us to take those steps.

I see in your legislation – the new version of the legislation – and you just mentioned it, that you have included the notion of raising tariffs as a possible response. But most of the rest of your bill seems to cover many – much of the same ground as us, you know, creating an ability to improve trade flows for victim countries, provide relief to them, to coordinate with allies.

So I guess my question is how do you see that balance of different tools and do you think it’s likely that – which of these things is most likely to change China’s behavior?

Sen. Young: Senator Coons and I thought it was important to have both a carrot and a stick dimension to this legislation. I don’t question the scholarship or the findings of the report. I do believe that, you know, each of us and the leaders who will, in the end, make these decisions, like Xi Jinping, responds to incentives.

So, you know, the possibility that there will be retaliation not just by the United States but by other large G-7 economies, as we hope
there will be once we link together these national efforts, hopefully, starting at the G-7 meeting in Hiroshima in May, I think you’re going to see considerable leverage, potentially, brought to bear against the CCP.

And so I suspect that dynamic since it has not yet been seen was not incorporated into the current analysis. So but we think it’s important rather than to provide too few authorities to the administration we provide additional authorities and then as, you know, this plays out real world these are new challenges we’re meeting and trying to bring new tools to bear the president can decide to either exercise the punch in addition to this helping hand or just the helping hand if that makes more sense.

But we wanted to make sure we had all the tools that were necessary to help out, especially a smaller economy – Pacific country – in the case of future economic coercion.

Mr. Goodman: Great. Well, just to be clear, we do think it’s important and applaud your effort to try to create a kind of a package of tools that that can be used. In fact, we call it something. We call it the U.S. anti-coercion instrument, sort of echoing the European package of tools. So totally think that’s right. We have to have a toolkit.

Did you want to add something?

Sen. Young: Yeah. Yeah. You know, this debate is – it’s very important that it continues to happen about the relative efficacy of the punch versus the helping hand. It’s one, frankly, that is analogous to our domestic criminal law debates, right – to what extent does the possibility of future punishment really deter action – and I think most would concede that at least on the margins it makes some impact. It also is an important, you know, sort of moral statement by society about particular things. But I think there’ll be considerable debate about the – its deterrence effect and I suspect this area the same thing will occur.

Mr. Goodman: Yeah. Yeah. I don’t think we really disagree. I think I agree with much of that.

So let me ask, and by the way, if the – if you’re willing to take an audience question or two –

Sen. Young: Oh, sure.
Mr. Goodman: – I’ll invite them to jump in. So –

Sen. Young: Yeah. I always – I always like to say, you know, if it’s a hard question just submit it by email. (Laughter.)

Mr. Goodman: That’s right. That’s right, and your staff will answer it.

OK. So you’ve talked about the G-7 and it does look like that Japan is trying to broker some kind of G-7 statement about this issue and possibly – do you expect them to actually talk about specific tools? And then, you know, what’s next after the G-7? Because the G-7 is the largest industrialized economies. You know, who else should be part of a broader group? Do you think there are other countries that that ought to be part of a broader coalition on this issue?

Sen. Young: You know, I do, and Prime Minister Kishida, he’s – you know, this is his number-one priority for the G-7. Of course, it will be in his hometown in Hiroshima and he’s taking great pride in and focused very much on the details of this conference.

He has done a G-7 tour already visiting with heads of state who will descend on Hiroshima in May and he has put together a consultative agenda. I am told by our ambassador that economic coercion will be the top item on the agenda.

So I suspect in light of the spade work that he has done, showing exceptional leadership, we’re going to see a commitment in principle to work together but probably some more details, and then as often happens with these things the real work will be dedicated to teams of staffers who will go and figure out how to operationalize all of this.

But I think it’s very exciting. I think in fairly short order we’re going to see a large economy free country alliance that is putting together a toolkit to counter economic coercion.

Mr. Goodman: Right. Great. As a former G-7 yak – that is the deputy sherpa, the person who helps the sherpa take the president –

Sen. Young: Is that your term or is that actually – OK.

Mr. Goodman: No, it’s a sort of affectionate term that we deputy sherpas used to call ourselves. (Laughter.) I got a haircut. But the yaks were – (laughter) – we’re a great team.
But I would just endorse something. You said it’s much more powerful. People get cynical about statements by leaders on things but actually it’s a really important function to set an agenda and say, you know, there’s an issue here that we care about as leaders of these largest, you know, advanced market democracies, and then the yaks and the folks below take that and push it forward into specific action. So I think it will be more significant than you think, maybe, if the G-7 says something. So that’s great.

Sen. Young: Yeah. I mean, I just – I want to use this opportunity, in case anyone notices – (laughs) – to really commend the leadership we’re seeing in Japan. It’s so important, between the military budget and now this. And they’re really – they’re providing the sort of partnership that we need, especially in a dangerous world where, you know, we have other priorities and other geographies as well. So it’s fantastic.

Mr. Goodman: Right. Let me try two other quick questions and then – they’re not quick. They’re hard questions. (Laughs.) Or, they’re big questions. One we were just talking about, the role of trade policy and, you know, whether the U.S. ought to be engaging in a sort of more robust trade policy along sort of more traditional lines of market access opening, and so forth. And that’s one of the recommendations in our report, to help diversify, you know, supply.

Sen. Young: Yes. It needs to happen.

Mr. Goodman: Right, and on coercion. And also to do something to get the WTO working again, because that’s also part of a toolkit, if you can use the WTO. It’s not going to solve the problem, but it’s an important signaling device. So I guess, you know, what’s your perspective on trade, and how does that feed into this conversation?

Sen. Young: Well, if I were to do a midterm report on the administration on this issue, it’s, you know, a D, OK? Others would think that’s a generous grade, right, because we really need – in order to have meaningful trade conversations, we need to offer reciprocal market access, and go through Congress, and do all the things that we do. But really, the grade is incomplete. There’s a final exam. And I want to give the administration the opportunity to step up and at least do some of the easier things. Increase trade with Taiwan, Kenya, maybe the U.K. I mean, there’s some easy wins that I would encourage the administration, even in the runup to a presidential, you know, campaign, to take. And I think there is no better way to
improve resiliency, another focus of your report, than by having meaningful conversations then agreements related to trade.

Mr. Goodman: I agree with all of that, but won’t say any more or I’ll get in trouble. So I just want to ask one more. You already kind of addressed Taiwan in your remarks, but we did talk a little about Taiwan. And I didn’t get a chance to answer Lingling’s good question, why we didn’t really zero in on Taiwan in our report. It’s not that we don’t think it’s important, but it is a big issue, as Jude, I think, very eloquently answered. You know, coercion – economic coercion is sort of part of a bigger set of things that China is doing vis-à-vis Taiwan. And we thought, you know, that would sort of distract from the other important cases that we did look at in our report. But I want to ask you on Taiwan –

Sen. Young: I think most people who are sort of following these things know that Taiwan is being coerced. Is that sort of your point?

Mr. Goodman: Right, exactly. I mean, that’s sort of –

Sen. Young: I mean, that sort of demonstrates a broader challenge.

Mr. Goodman: Right. And does it sort of fit, though, into – like, does your bill have something that targets that issue in particular? Or is there sort of a broader set of issues that we have to think about vis-à-vis Taiwan?

Sen. Young: We empower the president with the same toolkit for Taiwan as he might apply to Lithuania, or Australia, or some other country. So we think the same tools apply. No unique tool set, took kit, as it relates to economic coercion, is required for Taiwan. But here again, it would be really helpful if we were to have a meaningful market access conversation with Taiwan. That’s the best thing we can do to prevent coercion. And I’m allowed to say more on that front. You may not be.

Mr. Goodman: I mean, I’m supposed to be able to say that, but I get in trouble when I do, for some reason. (Laughter.)

OK, so let me invite the audience if you have a question to raise your hand. We do have some microphones, and I’d welcome a question or two before we have to let the senator go. Does anybody – everybody’s shy at this hour. There’s a gentleman there and how about this gentleman? There we go.

Mr. Goodman: How are you doing? Can you identify yourself for us?

Q: Yeah. My name is Philip Gunn. I’m with the Washington Export Council. And I’m also a former Hoosier.

Mr. Goodman: Former Hoosier?

Sen. Young: There’s no – it’s like a former Marine.

Mr. Goodman: I was going to say.

Q: That’s right. I live in D.C. now, so I’m going to say that that’s over. (Laughs.)

My question is – and I would have asked Dr. Blanchard the opposite end of this question – but don’t you think that IPEF could be a good tool or a good framework when we’re trying to create a century’s worth of frameworks for competition? And then don’t you think that that could be a good framework for developing free trade agreements in the future?

Mr. Goodman: So do you have a view on the Indo-Pacific Economic Framework and how it could play in –

Sen. Young: I think it’s great. I think it ought to be complementary towards a genuine free trade agreement. And by “genuine,” I mean what has historically been considered to constitute a free trade agreement, market access. So I’m not critical of IPEF, except for what seems to be an administration attempt to indicate that they’re seriously engaging in trade conversations and using IPEF as a substitute for an actual agreement. And, listen, we can revisit history, because it is political, about why trade became a more difficult issue in this country. And I acknowledge all of that complication. But for the good of our country and our national and economic security, we need to complement the good efforts of IPEF with a serious actual trade negotiation.

Mr. Goodman: OK. Agree with that too. I want to make sure this side of the room, which I haven’t recognized, doesn’t have a question before – all right. Bill, why don’t we take that over there? And then if we got time, that gentleman over there.

Q: Thanks.
Mr. Goodman: It’s on. I think it’s on, Bill.

Q: OK. Bill Reinsch with CSIS.

I wanted to pick up on Matt’s initial question about the tariff incentives and disincentives in your bill. Do you think that using them would violate our WTO obligations? And if so, do you care?

Sen. Young: Do I care? (Laughter.) Listen, I think we need to be seen as a reasonable actor. And to the extent that we are following both the spirit and the letter of the law of the World Trade Organization, that furthers that goal, it is my belief that this is WTO-compliant. But if indeed it is not, I don’t think most in the world, most in the region as we think about the Indo-Pacific, would consider the United States bad actors. After all, the intention here – and I think it won’t be lost on most others – the intention here is to aid sovereign countries when they are on the receiving end of the weaponization of economic interdependence – something not really contemplated when the WTO – when China ascended to the WTO.

So because they have weaponized economic interdependence, that has led to a situation where – (laughs) – we are seeing retrenchment of various countries, and it’s actually undermining the global economy and trading relationships that countries have. So in order to counter that, the United States, working with Japan and some others, is leading on an effort to provide some measure of stability to global trade again. So I actually think it’s certainly consistent with the spirit of the WTO.

Mr. Goodman: OK. And quickly, that gentleman back there.

Q: Hey. My name is Ryan from Appco.

And the panel touched on this a little bit before, but it was the private sector. So how – what is your thoughts on how they should navigate this? What’s your expectations for them? And we heard Rahm Emanuel earlier said the NBA folded up like a cheap suit. And just wondering, you know, what – how should they –

Mr. Goodman: The NBA, Ambassador Emanuel said the NBA folded like a –

Sen. Young: Oh, the national – oh, yeah. I do know what the National Basketball Association – (laughter) –
Mr. Goodman: Right. But he said that they –

Sen. Young: I’m the U.S. senator for Indiana. (Laughter.)

Q: Oh, you play basketball there? (Laughter.)

Mr. Goodman: He said that they folded in response to the Chinese coercion. So, yeah, and, sorry, so what do we do about private –

Q: Yeah, just what is your view on how do you help the private sector and also what is the expectation on the private sector to also respond to these acts of coercion?

Sen. Young: Well, listen, I think Ambassador Emanuel, speaking plainly about this issue, and many others, as I and others have, naming, sharing, embarrassing those, so you can kind of change the calculus, again, even if on the margins for the NBAs of the world. In this case, I think it would have been, in all candor, difficult to shift the calculus just through domestic public opinion sufficiently in order to change the NBA’s behavior, because, I mean, they are all in on the Chinese market.

But there’s that, trying to educate and inform the public. And increasingly, the public is really focused on this issue, as we’ve seen from the de-investment in China by state pension funds, right? So the public does care.

I guess the other point I would make is there’s a real opportunity here for the private sector, as well. There’s an opportunity for the private sector to identify when countries are being coerced, and they’ll end up advocating with the administration and members of Congress to impact the decisions of the administration because they see an opportunity – they see an opportunity to increase trade with the coerced country.

So I think many of the incentives that will be created through these anti-coercion legislative and foreign policy efforts will be positive, but this isn’t a panacea. As I said before, this isn’t, you know, a silver bullet, so to speak.

Mr. Goodman: Yeah. Yeah. And I think we have to be realistic about that.


Mr. Goodman: That’s an important point as well.
But, look, really thoughtful, very helpful comments that help round out our conversation today, which is not the end of the story. This is going to be a continuing conversation here at CSIS and I’m sure beyond in Washington, and we’ll look forward to following the progress of your bill.

Sen. Young: Thanks.

Mr. Goodman: And you know, we are happy to keep the conversation going with you. If we can be helpful, let us know.

But for now, can you join me in thanking Senator Young for being with us today?

Sen. Young: Thanks, Matt. (Applause.)

Mr. Goodman: Thank you, sir.

Sen. Young: Yeah. All right. Appreciate it. Thanks. (Applause.)

Mr. Goodman: And that’s – thank you all for coming, and we’ll see you at the next event. Take care. Thanks.

Sen. Young: Thanks, guys.

(END)