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TRANSCRIPT

Event

“Countering China’s Economic Coercion - Report Launch”

Interview with Ambassador Emanuel

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FEATURING

Ambassador Rahm Emanuel

United States Ambassador to Japan

CSIS EXPERTS

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Transcript By

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Matthew P. Goodman: So let me start, before we get to the topic of coercion itself, just about the kind of changes in the world. There's a lot of flux, a lot of uncertainty.

Ambassador Rahm Emanuel: You've noticed. (Laughs.)

Mr. Goodman: Yeah, really. So how do you see that? I mean, how do you kind of frame the overall state of the world?

Amb. Emanuel: Well, you know, sitting here and in this region – but it's also true around the world, and I think every country is making a series of adjustments to a reshuffling of the strategic deck. And I think what I will refer to as three Cs have changed every country and international economics, strategic, military, diplomatic: COVID, conflict, and coercion.

And you know, sitting here, you know, the time in which we're talking, Japan just adopted – first time in over 40 years – 2 percent of their budget – or, 2 percent will go – of GDP will go towards defense spending, when they had a 1 percent cap on it. So that tells you from where Japan was standing. Now, coercion played a role. Supply chain, as it relates to COVID, has played a role. For the United States, we're making adjustments based on that.

Now, on the international economic area as it relates also to other pieces, I think that the driving factor of cost and efficiency have been replaced by stability and sustainability. Those are now the north stars of international economics. Market access was a driving factor; still is. But energy security has now gone from kind of second tier to top tier, as an equal to market access. And measurements used to be always about how much you sell; today, it's how much data you collect. And those are kind of not limited to but the three things on the economic front that have altered in relationship to COVID conflict and coercion.

No country today in this region is not looking at their energy portfolio and asking where are we vulnerable or where are we not vulnerable. That's true here in Japan. It's true in Korea. It's true in the Philippines. It's true in Vietnam, and you just go down the list. Whether you're an importer or exporter, integrate it with your climate goals. But your energy security what does it mean from resource allocation and then what does it mean from accessing it if you're an importer.

Mr. Goodman: Well, a lot there to talk about. But let's talk a little about coercion. So what are you worried about? What is the problem with economic coercion? And you started to talk about hard and soft coercion. Can you explain a little bit about that?

Amb. Emanuel: Well, first of all, you got to – what is coercion?

Mr. Goodman: Yeah.

Amb. Emanuel: Coercion is to achieve a political objective with economic tools. And in this region, starting – Japan was really kind of the first victim of China's coercion back in rare earth materials in –

Mr. Goodman: 2010.

Amb. Emanuel: Yeah. And it was based on a political disagreement between China and Japan. Korea in 2017 puts a THAAD in and China cuts them off on both tourism, their big supermarket – boycotts it.

Australia had the audacity to say where did COVID start. They get their wheat, their wine, everything. So that's hard coercion and it's based on a political disagreement between China and the other country and they cut off market access. They cut off trade. They do intellectual property theft.

So there's a series of tools in the coercion toolbox and it's because of a political disagreement they penalize you economically in the user market and other tools in the economic kind of basket to penalize you and break you.

The United States has also been a target. When an NBA team, the Houston Rockets, part of the management or part of the coaching makes this comment about Hong Kong, they cut off the NBA. And the NBA – sorry for this – but folds like a cheap suit.

Companies that complain about China but refuse to file a case with us in the United States – and I saw that as chief of staff – at the WTO, coercion. Soft, not as hard as what they did to Japan and South Korea, not because of market size but because of the implied power.

So there's hard and soft coercion, understanding that it starts at the top, which is we politically disagree with you or sort of some political disagreement, diplomatic, whatever; we're going to use all these economic tools to break you.

Now, there are some reasons, and you and I are sitting here talking two weeks after or three weeks, China basically said to their coercion and isolation of Australia, we're throwing the towel in. Countries that have economic trade agreements with other countries, allies, other opportunities in the economic portfolio survive and China can be beaten on this.

But you have to apply a set of economic tools in an anti-coercion effort to beat back China's coercion. If Lithuania was not part of the EU, they would

have been in a different place. Because they had the EU economic alliance and market, Lithuania survived China's economic coercion. That's just a fact.

So you can – there are lessons to be drawn. It's not like throwing up your hands. But countries can withstand the pressure if there's an organized concerted effort by other countries to build an anti-coercion coalition.

Mr. Goodman: And so a little more specifically, what do you think is the, or what are the elements of a response that are most effective to try to deter China from doing this somewhat regularly?

Amb. Emanuel: Well, the biggest way to deter China is by making sure that other countries that have become victims, they know they can survive. That means a series of things. The United States – I mean, from a perspective as a U.S. ambassador, we have a massive energy portfolio.

I mean, Russia tried to use energy as an economic coercion tool against Europe. The U.S.-Europe Energy Council that was set up by President Biden after the war, incredibly successful in the anti-coercion effort. Incredibly – there's a paradigm shift when you look at the amount of LNG, you look at the type of investments we make. And it's not just LNG; there's – Romania is now looking at SMR NuScale nuclear. So it's not just LNG, although that was the most pressing. There's a series of things on the energy tools that become part of the anti-coercion coalition, and coming in and developing a set of tools.

Now, the basic premise, if you look at Australia, if you look at Lithuania, the goal is to build a coalition that's broad, deep, and capable. Energy is a piece of that. You can't build something that beats back the most pernicious economic tool China has if the United States won't lead. That's true on strategic terms, diplomatic terms, political terms, military terms. It is also true on economic terms. So the United States must take the lead in defining what an anti-coercion coalition is.

Europe has been targeted. America came to Europe's rescue: lesson. Australia was targeted. America, other allies came to Australia's defense. Australia has not only survived, but thrived. There is a lesson in all of these that you've got to put together a coalition, take an assessment of all your tools, build a healthy set of instruments led by the United States, and then when other smaller countries get targeted we will come to their defense and show them that we will stand by them when they make a political stand.

Mr. Goodman: Right. I mean, clearly, the U.S. has to – has to be in the lead here because we can't –

Amb. Emanuel: Well, we can't be on the sidelines. We can't be on the sidelines. We can be – we can – I believe we should lead the discussion. We have an interest – a political/strategic interest. That said, it will not really go anywhere if the United States is either on the sidelines or just one of many kind of shrugging their shoulders. It has to set the terms.

Mr. Goodman: Right. But Japan is also important; third-largest economy in the world, or second without – not counting China. So what do you say to the Japanese or what do they say to you about this?

Amb. Emanuel: Well, the good news is to Prime Minister Kishida's credit he's going to make coercion/international economic rules a centerpiece for the G-7 that will be held here in May. I mean, you could also see – and I do; it doesn't mean people will agree with this – I think the way China has used the debt trap, that's part of coercion, where they have broken other countries' political independence. Take a look at Pakistan. Take a look at Sri Lanka. Take a look at any number of African countries. Those tools have been there. So I think you – and then we come to the rescue through, you know, IMF and other type of international instruments, basically using post-World War II economic tools to solve China's economic strangulation of these countries.

So I think that the big thing that Japan could do is the lesson, I think, here. Last year, not just working on the defense budget, we worked with Japan to develop a CFIUS-like economic tool, a complementary –

Mr. Goodman: Investment screening.

Amb. Emanuel: Yeah, an investment screening. They didn't exactly xerox ours, but it was kind of a guardrail. It was a benchmark to look at – lessons learned, how to improve it. And we're doing our own modernization of the CFIUS laws and regulations. Japan used that as a way to then put in place, post-COVID, post-coercion, post-conflict a set of – a piece of legislation that created their own kind of set of regulations on investments into critical technologies and industries, et cetera.

Coercion; Japan, close to the field, the number-one target going back – you said 2010 and I remember it was 2015, but I'm not – you're the scholar.

Mr. Goodman: It's a recurring thing.

Amb. Emanuel: You're the scholar, I'm the hack, so I'll go with your number as 2010.

Mr. Goodman: We'll fact-check it later. We'll make sure.

Amb. Emanuel: (Laughs.)

Mr. Goodman: I may be wrong. I may be wrong.

Amb. Emanuel: If I'm right – if I'm right, I get a bonus on my postdoctoral work.

But so I would say Japan, knowing full well having been targeted on critical minerals, they know – rare earth minerals – they know what it took to survive. They know what it means to be the victim. And they know how to give us, I think, a better sense of what the tools that are part of an anti-coercion coalition and what are the best instruments.

I'm looking at this as a diplomat and then as somebody who's basically steeped in politics. When you look at an Australia, a South Korea, a Lithuania, Philippine pineapples. You look at what happened in Japan. The one common theme about how countries survived it and then thrived was a healthy set of economic relationships with other countries than then give them the kind of market access that are shock absorbers to handle it, and at the end of the day China can't break a coalition of many.

Mr. Goodman: Right. Key part of sort of –

Amb. Emanuel: Yeah.

Mr. Goodman: – the resilience and being able to withstand this.

Look, this is a very hot topic in Washington, as you know. You've been a real thought leader back there. We know there's more to come – a couple of pieces of legislation in Congress that are coming through, all these reports from think tanks – so it's – your contribution's very helpful, and I really appreciate your time and interest in this.

Amb. Emanuel: I mean, you have been – from our first time when I was just being nominated, we've talked about economic coercion. There's another report out by a think tank – you know, kind of a sister think tank in Australia.

Mr. Goodman: Yeah. Perfect.

Amb. Emanuel: And here in the embassy, we're working kind of on what I would call an analysis that looks at what are the themes – or, what are the common practices by China, which countries survive, which countries fold. And the biggest kind of thing that would come out of this is both hard coercion, like Korea was a target, Australia, Japan; and then soft. (Inaudible) – it's the soft ones there, like what happened to the NBA or individual companies from the United States. They get pressured. And when you – when somebody – a company or an institution like the NBA folds, it sends a message to other countries that are vulnerable. If they thrive, like Australia/Japan, that also sends a message.

And this is not a foreign thing for the United States. Our companies have been targeted and our management in many cases have succumbed to the pressure, both subtle – and there's nothing subtle about Rahm – (laughter) – OK?

So – and there's overt. And then there's covert, which is: Go ahead. We're going to steal your intellectual property, there's going to be economic theft, and we're going to cut off the market. And they succumb to that.

And we should – so this is not, like, foreign to the United States' shores. It has hit our shores. And our major institutional companies that we are very proud of, multinationals, have folded.

Mr. Goodman: Well, terrific. Really, thanks for your contributions here and generally on this topic. Again, you are being heard in Washington and I think it's having impact. And so we really appreciate your spending time with us.

Amb. Emanuel: Well, thank you for being here.

Mr. Goodman: And we'll continue the conversation the rest of today and maybe –

Amb. Emanuel: We're going to build the conversation up. Let's get this legislation done.

Mr. Goodman: That's right.

Amb. Emanuel: America's leadership is needed here.

Mr. Goodman: Thanks so much, Mr. Ambassador.

Amb. Emanuel: Thank you.

Mr. Goodman: Bye-bye.

(END)