

Center for Strategic and International Studies

TRANSCRIPT

Online Event

**U.S.-Indo-Pacific Conference**

**“Day 2 Welcome Remarks and Keynote”**

DATE

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CSIS EXPERTS

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John J. Hamre:

OK. Good morning, everybody. We're just a little bit late. We'll blame that on the rain, but glad to have all of you here. Thank you very much for coming. We've got – the rain has got our numbers down just a tad, but I'm confident we're going to fill all that in quite shortly.

My name is John Hamre. I'm the president at CSIS, and I want to say a sincere welcome to all of you.

When we started planning for this conference – and Ambassador Osius is a great partner for us – when we started planning this conference, it was a different world. And my goodness, we've had four kind of tectonic developments that have just fundamentally reshaped things over the last several weeks and months.

Of course, we have – the first, of course, is the aftershocks of the COVID recession and the supply chain disruptions. That's been enormous, and of course we're still seeing all of that. We still haven't gotten all of our electronics working again because we've got chips someplace on a – on a boat, you know, flying over someplace. I don't know where they are. We're waiting. So we've had the supply chain disruption that came from COVID.

And then we've seen something very profound which we still don't fully understand, and that is this new shift inside China that's kind of changing the dynamic of how the Communist Party's going to manage their economy. You know, now there's this label called – “shared prosperity” is the term that's being used for this, but we still don't know where that's going. I mean, but it does look like there's going to be more government intervention in the marketplace, and it certainly has elevated risk calculus, you know, for businesses as they're thinking about their future. So that's the second thing that's happened.

The third thing, of course, is we had a remarkable summit between President Xi and President Putin where they said that their partnership has no limits. OK. Now, it's unclear that President Xi knew what was coming with the invasion in Ukraine and China does appear to be trying to capture its balance again – it's a little off balance with all of that – but nonetheless it really has shifted the geopolitical landscape rather profoundly. And we're all wondering, OK, where does that go?

And then the fourth big shock has been the profound use of economic sanctions, something that we've not seen before. We've had little things before, but nothing of this scale before. And you know, everybody's saying, where does this go, you know? What does it – you know, who – you know, what happens if China companies get involved in a way? Does it cause additional sanctions? I mean, it's just everything is really now up in the air.

And over the last couple of weeks I've been – on a personal basis, because of another obligation I have, I've been polling senior businesspeople to ask: What

do you think is happening with supply chains on a global basis? And I've given people three options to vote on.

The first option was, well, the fundamentals are still there. It's harder to work in China, but we're going to still kind of work through that. We can make it work. It's going to be tougher and we'll do it. That's the first option.

The second option is, businesses want to change but there are so many impediments. You know, it's so hard to get regulatory clearance in Western economies that, you know, they're not open to it, but we do think there are going to be changes coming.

And the third option was businesses are – have realized it's a different world and they are making big changes right now. OK.

Those were the three options I gave them, and I was surprised at the result. Fifty percent – 45 percent of the respondents said we're really changing, things are really changing. Another 25 percent said, you know, it's going to be slow – things are changing, it's going to be slow, but because of the regulatory structures it's not a lot going to come onshoring, you know? And then 27 percent said we'll muscle our way through this complex problem with China. OK.

Now, if you put those together, you know, what it really says to me is there are fundamental movements underway – economic movements underway in supply chains – and the large beneficiary of this is going to be ASEAN countries. That's really what this says. I mean, you've got these four tectonic developments, and we're in the middle of them so it's a little hard to have – you know, to make solid predictions, but it's pretty clear where it's heading, you know. And I think that's the backdrop for this very important conference.

And I do want to say my sincere thanks to Ted Osius and his team over at the ASEAN Business Council. I don't think they had foresight into everything that was going to be coming up, but, boy, was it good timing. And so I want to say congratulations, Ted. Thank you to you and your team.

And I'm very glad that all of you are here, and we've got a large audience that's dialing in. That's more the mode these days, but we're glad that those of you who are in the room are with us today. Now let's get on with the program. So thank you. (Applause.)