TRANSCRIPT

Hybrid Event
“Business and Trade Are in Our National Interest”

DATE
Tuesday, June 14, 2022 at 2:00 p.m. ET

LOCATION
Online & CSIS Headquarters, Washington, D.C.

FEATURING

Evan G. Greenberg
Chairman and CEO, Chubb

Adam S. Posen
President, Peterson Institute for International Economics

CSIS EXPERTS

John J. Hamre
President and CEO, and Langone Chair in American Leadership, CSIS

Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com
John J. Hamre: We want to get started and I want to say my sincere thanks to all of you for coming. Gosh, it’s good to see real people in life, you know? I mean, I’ve been looking at little Zoom screens so long it’s just – it’s great to see real people and I’m grateful that you’ve come.

My name is John Hamre. I’m the president here at CSIS. And we have the privilege this afternoon of doing a joint project with the Peterson Institute. My dear friend Adam is going to – Posen – is going to say a word of welcome in just a minute.

I did want to say my sincere thanks to all of you for coming. This is going to be a very important and interesting conversation, and it’ll be a conversation because all of you have a little card. And I’d invite you, as you’re going along and listening to the speech, to write your questions down, because then we’re going to collect them. We’ve got people that are going to collect cards. Just hold them up in the air and we’ll come over and get it.

Adam is going to run the Q&A portion for the conversation, so my role is ornamental. You know, my wife always laughs when I say that. But I did want to say just a word. We don’t normally have an opportunity in Washington in our kind of a format to hear from business leaders. You know, we’re an institution that historically really hears from policy people and from politicians. We don’t normally get a chance to hear from business leaders. But the conversations that I’ve had with Evan Greenberg have led me to say: Well, would you consider doing a policy statement here – policy speech here in Washington? You have a perspective that Americans need to understand, need to hear. And you know, this is a town where, you know, the wind blows strong from one direction, you know, and yet there are so many crosscurrents to any issue.

And we’re going to have a chance to hear a perspective about China that we all need to hear. It’ll help all of us. It’ll inform all of us to be better understanders, integrators of this complex relationship that we have with each other. So, it’s going to be a very important conversation and I’m glad all of you are here.

As I said, this is only possible because of our partnership with the Peterson Institute. Can I ask you, Adam, to come up and say a few words of – he’s the substance; I’m the entertainment. (Laughter.) So please welcome Adam Posen, please. (Applause.)

Adam S. Posen: Thank you. And this is where my wife says: Well, you’re certainly not the ornament. (Laughter.)
So, look, I want to echo two pieces of what John said, and it’s great to have people out in person for substance on this occasion. Before I turn to Evan Greenberg, CSIS and Peterson Institute for International Economics – PIIE – have been partners on a recurring basis for many years, going back to when my predecessor Fred Bergsten and John conceived of something called “China: The Balance Sheet,” I think 15 years ago or more now. And it is – we are natural counterparts in what I think we are genuinely nonpartisan. We’re happy to work with any party and we’re happy to not work with any party. And as that, we come together sometimes to think about where security and economics overlap.

And it’s in that sense why, again echoing John, I’m very grateful that Evan Greenberg, who is on the board of both CSIS and PIIE, chose to make a public statement. As many of you know, Evan doesn’t mince words. And Evan is opinionated and has built an incredible business, including in China but not just in China.

But John initially and Evan, and then I encouraging and some of my colleagues at Peterson helping, we wanted Evan to make the best possible case he could for his position. And as the former head of the U.S.-China Business Council, as the chair of the National Committee on U.S.-China Relations, as someone doing hardnosed business and speaking truth to U.S. and Chinese officials, I think he is well-positioned, and you all will find the speech of substance and worthy of discussion.

So, thank you all. And thanks especially to CSIS and John Hamre for providing the superb venue as well as the ornamentation. Shall I turn it over to Evan?

Dr. Hamre: Give it to Evan.
Dr. Posen: Please. (Applause)
Evan G. Greenberg: Well, on that note, I hope not to disappoint you all. (Laughter.)

I do have a lot to say, so I hope you all took advantage, went to the restroom before this. You’re going to be here for a while. Not too long. But I do have a lot to say today, and I think it’s on a serious subject. And it needs to be said because we need to have a fulsome debate.

There has been increasing public commentary questioning the economic benefits to America of international trade and investment, including with China, and whether the U.S. business community is prioritizing profits in China over America’s security interests and its values. The implications is that American companies operating in China are unpatriotic or at best gullible and naïve. There is also an assumption embedded in such arguments that business interests are not aligned with
national interests. But how does our country generate wealth and build strength on the world stage if our business interests are not viewed as an element of our national interest?

I also encounter arguments that America has gotten mugged by China in recent decades. According to this telling, China has solely benefitted, and at America’s expense, by the economic relationship between our two countries. Such assertions are inconsistent with observable facts and realities.

So, I’m here to offer a bit of ground truth on the benefits the United States derives from trade with the rest of the world, including with China, and to make the case that we must recommit to an interest-based approach to our economic relationship with China. I believe deeply that America is strengthened by having its companies compete and thrive in the global marketplace and in China. I will make my case in three parts.

First, American firms need to compete in the world’s most competitive markets. Competition compels innovation, and innovation along with other important attributes offers firms an edge over global competitors.

Second, American firms have unique understanding of the risks and benefits of doing business in China and should be brought into policy discussions rather than be treated as an object of them. A more collaborative approach between government and the private sector will yield far better outcomes for America’s long-term interests. International trade and investment, including active participation in China, is on balance good for America.

Third, it is critical that American companies act according to their vision of corporate governance and values in China. American businesses generally operate on the basis that transparency, fairness, and respect for the individual strengthen their own performance. These firms provide a powerful example in China, a country that important respects is moving away from market-driven decision-making, and they must continue to reflect the best of America in their operations in China.

I know that my efforts to elevate the public debate on China may invite criticism since my company has a clear financial stake in the direction of this debate. But I’m willing to make the case because I believe that the choices our country makes about our economic relationship with China and trade generally will have a significant bearing on America’s national security and global competitiveness in the 21st century. These choices must be grounded in reasoned debate based on available facts and not left to voices on either extreme of the political spectrum to define.
Members of the business community have generally been quiet on this subject, reticent to speak up out of concerns of vilification. Yet, their voices are important to the knowledge and perspective they lend to the debate. Silencing debate is not how our democracy is designed to operate.

Just look at Asia today. Beyond our military, America’s greatest source of strength and influence is its active business sector and its sizeable investments made over decades. But as an – as international trade has gone out of political favor in the United States, there has been less-robust debate about what set of trade policies would best protect and advance America’s interests. Before delving into China, a few points to highlight on trade.

As countries have opened their economies to trade and investment, advanced economies such as ours have created jobs and services and manufacturing. The United States exports more than 2 ½ trillion (dollars) in goods and services annually. According to the Business Roundtable, trade supported over 41 million American jobs in 2019. U.S. trade-related employment grew four times faster than total employment since 1992. It’s not just large multinational companies that profit from these trends. Today, small- and medium-sized enterprises are increasingly benefitting from global trade alongside multinational corporations. As digital trade continues to grow, so too will opportunities for American companies of all sizes to connect and compete in the global market. To put a point on it, there’s almost 172,000 small businesses with fewer than 500 people exporting almost 300 billion (dollars).

International trade increases competition, especially for firms that face few domestic competitors. When companies compete globally, they produce more efficiently, which helps drive down costs and reduce inflation. As companies grow and thrive, it means more jobs and employment. And after all, it’s strong, thriving businesses that create jobs here and abroad. Consumers benefit with more variety, better reliability of products and services. Globalization serves to pool talent and accelerates learning about what works or doesn’t, and why.

The world is not standing still, though. While the United States has retreated from pursuing trade agreements, many other countries have moved ahead. Regional economic integration in Asia has advanced considerably in recent years without the United States. This has placed American firms at a disadvantage with their international peers in the world’s most dynamic region. Alongside our aircraft carriers and our fighter jets, what Asian countries want most from the United States is increased market access and deeper trade and investment ties. After all,
the business of Asia is business. So proposals for new regional economic frameworks that do not include market access are going to fall short.

We’re at a point where the longstanding consensus in favor of open, rules-based trade has broken down. Critics suggest that policy has not served our workers well and believe the benefits of trade should be more equitably distributed. But creating and maintaining those trade benefits is equally as important.

The Biden administration’s Indo-Pacific Economic Framework and the U.S.-EU Trade and Technology Council are both good-faith efforts to build rules for 21st-century trade challenges. The administration deserves credit for prioritizing efforts in Asia and Europe to advance digital trade and develop standards for new and emerging technologies.

While unpopular to say, we should also seek to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, CPTPP. The truth is that any trade initiative that does not include market access to services, investment, and intellectual property protection or dispute-settlement provisions, and doesn’t tackle subsidies, will fall well short of our most recent high-standard agreement, USMCA, which happened to receive broad bipartisan support in Congress.

Pursuing administrative agreements instead of formal trade agreements is viewed as a sign of America’s diminishing ambition on trade and will raise questions about the durability of the arrangement. Rather than shrink our ambition to match the political mood of the moment, the United States needs to rediscover its determination to lead on trade.

There is a strong strategic rationale for the United States to reassert leadership on trade. Deeper economic integration between the U.S. and our Asian partners would bind our fortunes together more tightly. It would give the region greater confidence in America’s staying power. It also would undercut Beijing’s preferred narrative that Asian countries should stand with China to prosper instead of siding with the United States and missing out. And finally, it advances our vision of market-oriented, rules-based trade and economics.

I have detected rising levels of concern among the policy community about America’s competitiveness with China’s economic model. I do not share these anxieties. I am confident in America’s economic model. No other governance and economic system has generated more wealth and national strength for its people than ours. This fact ought to offer us a bit more self-confidence and strategic patience about our capacity to outcompete China.
I support the U.S. vigorously defending and protecting its strategic interests, and I expect China to do exactly the same. This is particularly true in advanced technologies and especially those that involve national security or represent certain leading-edge economic capabilities. The central question is not whether the United States should defend itself, but rather how it can do so most effectively. We must be able to protect our national security and our economic prosperity. Our economic strength is at the – is the foundation upon which our national security is built.

Our national ambitions are advanced by remaining a powerhouse of innovation. This requires the U.S. government to protect the rights of its companies to monetize their intellectual property. The competition that our firms encounter in China and around the world pushes them to improve. This process benefits our firms, which in turn benefits our workers.

Too often lately, China economic policy decisions in Washington have been made in the name of national security or workers’ rights but without an appreciable understanding of their economic effects. We should not allow the important work of protecting our workers to be turned into a vehicle for promoting outsized protectionism. The more that policy decisions degrade our companies’ ability to compete abroad, the more they will sap America’s national strength over time.

Defensive policymaking is not a new phenomenon. For generations, politicians have bemoaned foreign competition hollowing out our American competitiveness. Whether the imports arrived from Germany or Japan, Mexico or China, there have been protectionist laments. The current protectionist calls for America to decouple from China are not new, but here are the facts.

Likely upward of one-half to two-third of global economic growth in the coming years will come from the Indo-Pacific region. The region is home to over 50 percent of the world’s population, almost 60 percent of the world’s youth, and 60 percent of GDP. In other words, the global growth story in the couple – in the next couple of decades will be substantially defined by Asia dynamism.

Within Asia, China is becoming increasingly central to value chains. Even as there is decoupling in high-technology sectors across the Pacific, there is recoupling within Asia. Trade and investment flows between China and other Asian economies are growing. This is true almost across the board, and includes economies such as Japan, India, Taiwan, and Vietnam, who all have rivalrous relations with Beijing. The United States fits this profile as well. The cold reality is, is that the trade flows between the U.S. and
China are, in fact, rising, even with reciprocal tariffs in place. The 2021 data show two-way trade hit a record $657 billion.

China enjoys unique advantages in the global economy. It sits at the center of the world’s most dynamic region, with 20 percent of the world’s population, a fiercely competitive business environment in many sectors, clustering effects around innovation, world-class infrastructure, and an abundance of affordable engineering talent. Irrespective of whether we like it or not, the country is likely to account for a substantial portion of global economic growth. Some experts estimate that China could contribute upwards of one third to one half of global economic growth in the coming years, though this level of contribution deserves to be questioned, owing to China’s economic policy direction.

While there is room for debate over how much China will contribute to global growth, there is little dispute that China’s increasingly statist policies are damaging its own economic expansion. China’s side does not mean the United States should allow China to walk over us because we desire access to their market. American firms are stronger when they compete in China’s market, but not at all costs. Reciprocity and rules-based trade are principles that American policymakers must uphold and not abandon. To be clear, I support the principle of reciprocity in the broad sense, not the use of the term to advocate for mechanical tit for tat action that took the United States in a race to the bottom with China.

I’d like the United States to draw upon all available levers to push for a more level playing field for competition. And it is vital that the United States address problematic behavior. Certain Chinese economic policies are adding strain to the U.S.-China relationship. State-backed efforts to prop up national champions, including by subsidizing production, flooding overseas markets, and undermining international competition, are a direct challenge to American interests. These are not problems, though, that lend themselves to unilateral American solutions.

Contrary to what some hope in the U.S., Washington does not have unilateral economic leverage to compel China to submit to American demands to reform the economy or their political system. And here’s why: China’s become the world’s largest recipient of inbound foreign direct investment, though flows have dried up recently. In 2020, share of global FDI rose to an all-time high of 25 percent of flow. While some of this investment originated in the United States, the bulk came from Europe, the Middle East, and other parts of Asia. In other words, arguments that China is reliant on American capital and that America can change China by withholding investment flows deserves to be interrogated.
China also is the top trading partner for more than 100 countries globally. Every one of America’s closest partners around the world has a deep economic relationship with China. None would be willing to end its economic relationship absent a dramatic Chinese action. Given these realities, American interests are ill-served when policymakers put trade in competition with trust or values. America’s partners in Europe, Asia, and elsewhere do not welcome China’s assault on individual liberties. But they also do not see trade policy as the venue to adjudicate those differences. Rather, they seek to address differences over values in the political and diplomatic arena.

America is also not taking steps to attract our global partners, to bind their futures more closely our own. We are not further opening our markets and liberalizing trade policy to incentivize countries to put greater weight on their economic and overall relationship with us. In other words, all of our partners are going to continue to trade and invest in both the United States and China. The objective, therefore, is not to try to contain China. It is to out-perform China. We should be promoting and literally leading with our vision for rules-based international trade, rather than be playing defense against China’s efforts to legitimize their own economic model.

And the United States should have ample confidence in its capacity to do so. Our economy remains more than 25 percent larger than China’s. Our workers in many sectors are more productive. We enjoy the world’s reserve currency and our higher education system that is simply the envy of the world. We have a transparent and reasonably predictable legal system. We have traditionally been open to immigration, though of late we have been more limiting. We will need to continue to foster a culture that attracts the brightest minds and those who want to work hard for a better life to our shores.

At the same time, given the scale of the challenges from China’s own behavior, we’ll need to strengthen our self-awareness of how our actions are interpreted by our allies and partners. They all recognize that full-scale U.S. economic decoupling is not a serious option. It can more accurately be described as an economic impossibility. Global value chains for thousands of products flow through China before the finished products arrive in the United States. China increasingly conducts final assembly of products. The intermediate goods that go into those products sometimes originate in China, but many are made in countries around China.

Even if the United States, Canada, and Mexico wanted full-scale, across-the-board reshoring of production from China, there are too many missing pieces of this supply chain in North America to make production
work at speed, at scale, or price that can be competitive with companies that continue to produce in China. To take a specific example, Mexico is moving in the wrong direction. Recent efforts to limit competition in the energy sector would dissuade manufacturers from moving to Mexico due to concerns over availability and cost, as well as difficulty in meeting climate-related commitments.

Mexico is becoming an increasingly unattractive market for transferring production. Yet, we are doing too little to address the negative direction our southern neighbor is headed, at a time when we should be focused on strengthening North America’s competitive profile. If American firms are the only ones to exit the China market while foreign competitors continue to enjoy the cost and efficiency advantages of producing there, then U.S. firms will relinquish global competitiveness.

To be clear, there will be cases of selective decoupling. There will be products that have such high value to our national security, including economic or health security, that they justify being produced at a higher price and lower efficiency in the United States. There may also be instances where companies simply decide for themselves to leave the Chinese market, given their business model. The more products that policymakers place within the protected net, though, the more cost the consumer will have to absorb to offset the inefficiencies. If full-scale or large-scale decoupling becomes our goal, though, such a policy will feed China’s worst instincts, undermining our own global economic competitiveness, and amount to a self-inflicted wedge between us and our allies.

Some may counter that China, not the U.S. is seeking to decouple and that we should reciprocate. Well, it’s not in America’s interest to relinquish market share in the world’s second-largest economy, particularly when China’s demand is growing for American exports from Apples to advanced vehicles. It’s not in America’s national security interest to make China less dependent upon technology products made with American equipment and expertise. The less reliant China is on American-produced technology, the less leverage the United States will have to influence how China pursues its interest over time.

There are virtually no companies – countries prepared to require their companies to exit the China market. On the margin, other countries may compel their companies to limit trade or investment with China in sensitive national security areas, but they are not likely to broadly cut off trade with China. If U.S. policy decisions force American companies out of the China market, they will lose out economically. But China likely will still acquire the capabilities it seeks. And don’t take my word for it. We’ve run this experiment before. Previously the United States unilaterally
banned the sale of satellite technology to China. The result? American companies lost revenues, European competitors filled the vacuum and reaped profits, and China got the capabilities it sought. This was a mistake Congress ultimately corrected.

Closing off American companies to China would also generate less cooperation between the United States and China at a moment when the planetary threats to both countries are growing more acute from inflation to global financial volatility, climate change, health pandemics, etc. In other words, China is an important market, and it is not going away. Given this reality, why wouldn’t America’s top firms want to be in the largest foreign market for wealth creation? American firms are becoming stronger by being pushed to out-compete their Chinese and foreign competitors by gaining scale and by sharpening their capacity to monetize their innovations.

And many American firms have done tremendously well in China’s markets. Their revenues support jobs across the United States for designers and developers, marketers, logicians, managers, lawyers, accountants, scientists, and so many others. America’s deep economic presence in China also has allowed American workers to profit from China’s rise. The more their economy has grown, the more Chinese consumers have looked to American products as a symbol of quality. America’s exports to China in recent decades have grown rapidly. And while there is no clear number on how many jobs our services and manufacturing exports to China’s support, we do know the U.S. economy generates between 2 (million) and 3 million new jobs a year.

Of course, such statistics provide cold comfort to those who have lost their jobs to companies that offshored production to China. And many hardworking Americans have lost their jobs to lower-wage workers in China, during what is often referred to as the China shock, the period from 2000 to 2015, after China’s accession into WTO. Recent research puts the upper bound estimate of manufacturing jobs lost to China at about 2 million. In other words, according to economist Adam Posen, the China shock was responsible for displacing about 130,000 workers per year from 2000 to 2015.

Looking backward and forward, automation and productivity gains likely pose greater threat to American manufacturing workers than China does. But that doesn’t make the experience any less painful for those individuals and communities who have suffered from trade with China. The policy answer to this predicament is to defend our workers against Chinese dumping and, if and when it occurs, to forge international coalitions to address China’s non-market economic practices and find
ways to provide effective and practical support to American workers, including by implementing policies to make them more competitive in the global economy.

The best way for the United States to address the hollowing out of America’s manufacturing sector is to make the sector more globally competitive. Unfortunately, as a country. We have underperformed on this score. We have not defended ourselves as strongly as we should have against distortive Chinese economic policies. The goal of U.S. trade policy should be reciprocity and equal treatment for American companies, not equal results in the form of managed trade. American companies and workers can compete against their Chinese peers, but they cannot be expected to compete against excessive sovereign government support.

In sectors where China proves unable or unwilling to allow reasonable access to make directional progress towards fair competition, we should look for reasonable limits on China’s access here in sectors they prioritize and urge other partners around the world to follow suit. We also should work with partners around the world to develop thoughtfully tailored outbound investment screening mechanisms, and then implement such screening mechanisms in a coordinated fashion. Capital from America or its security partners should not be supporting China’s development of weapons being designed for use against us. American money should not be used to support the development of tools to suppress citizens anywhere.

Given the dual-use nature of many existing and emerging technologies, setting boundaries around acceptable exports to China or investments in Chinese firms will be an ongoing policy challenge. Such efforts would benefit from market insight in order to understand tradeoffs of various approaches. These insights can be best achieved through genuine public-private dialogue, where business leaders are brought into the discussion to help delineate where boundaries should be drawn. With that information, national leaders can set principles to preserve an appropriate balance between national security and national economic competitiveness.

Both are imperatives. Both are mutually reinforcing. And both will be strengthened by maintaining reasonably high thresholds for government intervention. In other words, small garden, high walls. We need our companies to be able to sell their products in order to generate revenue for next-generation technologies, while at the same time denying access to goods that put our national security at risk.

We also have not done enough to raise the competitiveness of members of our workforce who have been left behind. America’s trade adjustment
assistance programs have been poorly structured, poorly executed, and poorly resourced. The U.S. spends about a tenth of what other developed countries spend on these programs as a percentage of GDP. We need to do better as a society, and we can. We need to raise workers’ productivity by expanding access to health care, child and elder care, and improving access and quality of education. We also need to enable smart, lawful immigration at scale to ensure our workforce has the right skillset and capacity to meet our national requirements, understanding this is not taking jobs away from Americans.

At the same time, again, we must also protect ourselves against unfair economic behavior – intellectual property theft, forced technology transfer, commercially driven cyberespionage, and widespread state-backed efforts to prop up national champions. These are real challenges, but, again, they are not challenges with unilateral American solutions. Our best bet is to work with partners to craft responses that constrain China’s excesses and limit its opportunities to take what it does not invent. We have allies and partners whose interest and concerns about Chinese behavior are congruent with ours. This is an asymmetric advantage for the United States that we need to do a better job exploiting.

Now, I recognize the deeply held views of some in the United States who believe American companies should not be present in China because of human rights abuses. I do not know of any American CEO who celebrates authoritarianism in China, or in any other country, including those the United States considers allies or partners. And it is hardly my image for humanity. But it is also not my decision. China is a sovereign country. The same is true of every other country where my company operates around the world. At the same time, we are not indifferent to policies that diminish individual freedom. No model of competition has succeeded where the state substitutes its judgement for that of markets, or where nonviolent ideas and opinions are criminalized. I do not presume to tell China’s leaders how to govern 1.4 billion people. China’s leaders set the rules in their country. I do not. But I am candid in respectfully sharing my perspective as an American that China’s leaders will need to find their way back to a more market-oriented path if they want to continue to create wealth for their own people.

I’ve been involved in building businesses on the ground in China for 30 years. I have not simply been investing in China; I have been building there. It is important to understand how the financial services industry operates around the world. If we want to provide insurance products and services in a country, we need to establish a regulated corporate presence there. We are not like a manufacturing company that can produce goods in the U.S. and then ship those goods to many other countries around the world.
So we established a business presence in China for insurance. We bought into a Chinese – into a business that originally was 100 percent owned by state-owned enterprises. We have been taking the business private, and I believe we will soon be the first foreign company to take majority ownership, actually 86 percent, of a financial-services holding company in China.

The Chinese want my company there for a reason. We represent a dynamic, highly professional private sector model that they can use to accelerate the development of a modern insurance industry. This is something China wants and needs. But our presence in China is also clearly in the interests of the United States. And of course – and of course, its profitability is in the interests of my company and our shareholders.

Chubb provides insurance protection and savings. We allow individuals to take better personal responsibility of their future, and to limit their reliance on the state, thus relieving the state of its burden. We collect financial assets, and we invest them where they attract the best return and not where it's privileged or directed by the state. As an example, we provide private sector solutions to help address the needs of China’s aging population.

We also carry our American values and principles in how we conduct ourselves in China. We represent a market-oriented private sector model that believes in the sanctity of the individual, the rule of law, and in basic human rights. We not only assiduously follow local laws and regulations, we strive to adhere globally to the highest U.S.-based standards of corporate governance and behavior, from compliance education to anti-bribery controls. We don't have different standards for employees' behavior depending on where we operate.

We draw upon our global advantages and profit seeking efficiency in our competition with Chinese firms. We recognize that we are operating in a country where policy is decidedly moving towards a more state-driven economic model. At the same time, and without mincing words, I am earnestly and quietly as candid with Chinese officials as I am standing here and talking to you today. I regularly defend the interests of my country and my company. I have always been clear in respectfully registering my concerns with Chinese leaders about unfair state subsidies, theft of intellectual property, forced transfer of sensitive technology, and other concerns.

I tell Chinese officials that I believe they are limiting their country's growth by overplaying the role of the state in their economy. A company’s intrinsic work in the global marketplace is determined by its interests
and its values. American companies generally recognize that it is bad for business to abandon their values in China. Those that compromise their values in pursuit of profit are often – often are punished through loss of investor confidence in the direction of the company. And those companies that lose their moral compass in China, or anywhere else, deserve to be called out and punished by the marketplace. But they also should be treated as the exception. They are not the rule.

So here’s my conclusion: I know my observations today challenge prevailing views about America’s trade policies and about the U.S.-China economic relationship. I also recognize that my arguments are not perfect. My goal is to stimulate deeper discussion about what the United States can to do strengthen its global competitiveness and what contributions the private sector can make to this effort. The U.S.-China relationship is undergoing dramatic changes as we speak. China’s economy was only 12 percent of America’s size in 2000. It is now 71 percent as big as America’s economy.

China’s growing strength is discomforting to many, but it is also a fact of life. Tough words of unilateral actions are not going to turn back the clock and shrink China’s strength back down to a more comforting size. We are going to have to improve our own competitiveness and restore our self-confidence. We are going to need to articulate our own vision for our global economic competitiveness and, in fact, carry it out. We’ll have to trust that our success will cause China over time to reevaluate its own interest in becoming more market-oriented. And to make progress in this direction, we will need to understand and be responsive to our partners’ top interests and concerns relating to China. Importantly, we also – we are also going to have to recommit to an interest-based approach to our economic relationship with China.

I have laid out a few of my views on how I think the U.S. can do best. I welcome others to improve upon these ideas. America works best when there is a serious competition of ideas about how best to address the greatest challenges confronting our country. Such a debate on how to pursue a pragmatic, interest-driven approach towards China is sorely needed now more than ever. Thank you very much. (Applause.)

And now I’m going to be interrogated by Dr. Posen. (Laughter.)

Dr. Posen

We prefer to call it special operations. (Laughter.)

Actually, Evan, when introducing you I did not formally state what, of course, is your primary affiliation, which is the chairman and CEO of Chubb Insurance, a global leader. And that is on the basis of, as you freely
admit, which you make your statements – as a businessperson, as someone who built something.

But that will not sell to everybody. So what I’m hoping to do with the next roughly 15 minutes of questions both that I have and that our audience will present is ask you to expand a bit on some of the places where what you said may not be immediately persuasive.

Let me start by quoting from your speech. At one point you say rather forcefully: “Critics suggest that policy has not served our workers well and believe the benefits of trade should be more equitably distributed. But creating and maintaining those trade benefits is equally as important.” There are some who would say that trade with China is the source or the driver of inequality; it’s not just about how the benefits get distributed, it’s China itself is causing inequality. How does – how do you think about that and how should we respond?

Mr. Greenberg  You know, in a word, don’t throw the baby out with the bathwater. Our country overwhelmingly benefits from international trade, including trade with China. On the other hand, there are downsides. There are inequities. There are those who suffer as a result. And while we want to promote trade, and fair, rules-based trade, and defend our interests, at the same time we have to do a much better job not just talking about it, but our policies and our actions to effectively address those workers who are displaced – you yourself said it’s 2,130,000 a year. Now, that’s not an insignificant number, but we create 2 (million) to 3 million jobs a year. But we can do a lot better job of that part. Don’t throw the baby out with the bathwater.

Dr. Posen  Thank you.

There’s so much in your speech, so I’m going to sort of skip around a bit. And again, I know they’re collecting questions from the audience.

You mentioned about the degree to which Asian integration is moving forward, and in particular you called for the U.S. to rejoin CPTPP. So there are a bunch of people who view CPTPP or TPP as like a swear word. What is it – what’s so bad if we stay out? And in particular, there’s also RCEP, right? So Japan and Korea and others are in this trade deal with China that never was supposed to include the U.S. What’s at stake here? Why does it matter?

Mr. Greenberg  There is no substitute for being in the game, in my judgment. What do we lose out on?
Number one, we are not promoting our vision of market-based, rules-based trade and investment. We're ceding that ground to others' vision, including China's.

Number two, when we don’t participate, the preferences and benefits that are extended by one country to another and their companies and businesses they don’t extend to American companies. We are placed at a competitive disadvantage.

And you know, to me – and then, finally, we're making – it's not how we see it. And this was really the point I was trying to make about allies are about interests. Countries' relations are about mutual interests, and it's how they see it. And Asian countries, when we don’t participate, they question deeply our commitment to the region. They don't believe that we're – that we mean it. It's we're ephemeral. And that's firmly entrenched.

So we lose out, Adam. There is no substitute.

---

Dr. Posen

So picking up on what you just said about how we’re perceived, Evan, one of the issues which you raise – which, frankly, I agree with – is that to what extent we've had a trade policy the last few years, it's been making administrative agreements rather than formal treaties and deals that get approved by Congress, by the Senate. But given that we’re likely to have in 2024 two presidential candidates who are both largely anti-trade – I don't take any joy in that, but it seems highly likely – and given the fear of putting things through Congress, why should our Asian partners or any partner put faith in us? I mean, what is your advice to an American president or an American administration to rebuild credibility if this is what the U.S. is doing?

Mr. Greenberg

First of all, Adam said something I don't want you to think is a throwaway line. He did say that – something that he agreed with – (laughter) – because I can guarantee you there’s a whole bunch – I know the other side of this. And he's a pit bull about it, the things he doesn't agree with. And he's probably generally right.

Look, whether it’s popular or it’s unpopular, the perspective – I believe deeply this is the right perspective. I’m not Pollyannish about it. I know right now how unpopular this is, the notion of international trade and agreements, because of this notion we have – which I think is so poorly defined – of a worker-centric policy or a foreign policy for the middle class. I don’t know what all those words actually mean.

But I do know this. We passed USMCA only two years ago, three years ago, whatever it was. It was a high-quality trade agreement that had so many of the elements of TPP. It enjoyed bipartisan support. Politics is the
art of the possible. And frankly, that begins with leadership. And we need leadership, political leadership, that really speaks truth and carries the vision, doesn’t pander.

Dr. Posen

So picking up on that – and this is a place, one of many actually, where I agree with you, but where people may be surprised – is hearing you speak about about the need for more access to health care, elder care, education, and so on for American workers. You just mentioned USMCA, where at least ostensibly part of the reason it got passed was because it did include high environmental and labor standards. The original TPP was supposed to include at least high-level environmental if not labor standards.

Mr. Greenberg

Correct.

Dr. Posen

So, I mean, this may be a yes-or-no question, but I mean, is that the basis for going forward, that U.S. trade deals should be including these kinds of high standards?

Mr. Greenberg

Look, I think it’s a reality. I think labor standards and environmental standards are now part of and expected in agreements. Regardless of whether I personally think they ought to be adjudicated in a separate venue, the fact is is that’s where they are. And I accept that. And I accept that they are.

On the other hand, it’s in trade agreements. No one is interested in hearing from us about our labor standards or our environmental standards if there’s nothing that goes along with it. Market access – face it – is what they want. That’s the – that’s the pull of America.

And by the way, market access in America means market access. It’s not like market access in China, which means, you know, maybe a crack in the door, and then good luck to you once you’re in.

Dr. Posen

Just to follow up on that one second – and I’m not trying to get you into trouble much – but you know, you – again, you focused today in your remarks about China. You care deeply about U.S.-China relations. But your company and your business activities have been global, including in places with much lower average per-capita income than China.

Mr. Greenberg

Correct.

Dr. Posen

I mean, so when we’re dealing with poorer countries in terms of per-capita income, should we be excluding them from trade deals because they can’t meet the labor standards? How should we think about, you know, doing a deal with a much poorer country?

Mr. Greenberg

To me, I don’t think you take, when you think of labor standards, simply the reality of the American environment and imagine you’re going to
impose it on – the same realities and standards on every country around the world. That’s just not logical.

But there is a perspective within each country around what real workers’ rights mean and what the – what the bedrock of rights that labor should enjoy. It doesn’t mean it’s exactly the standard of America.

Dr. Posen  

Thank you.

Mr. Greenberg  

But the principles are the same standards of principle, Adam.

Dr. Posen  

Great. Great. And I’m sorry to get the –

Mr. Greenberg  

Now, I’m not a trade negotiator, so I have to – in other words, someone else can come up with the details.

Dr. Posen  

No, no, we have – we have Carla Hills, the dean of trade negotiators, with us. You can leave. It’s OK. (Laughter.)

Carla Hills  

It was great, the both of you. And I think your discussion is very needed. I promised John that I would join in another program. So thank you very much.

Mr. Greenberg  

And I am a Carla Hills disciple. Let me be very clear about that. (Laughter.)

Dr. Posen  

Yeah. Yeah. As are all of us of good faith.

So let me – let me expand on – let me ask you to expand, not me expand. Let me ask you to expand a bit more on one of what I think was your more provocative statements. You said that you do not share rising levels of concern about America’s competitiveness with China’s economic model. But as you acknowledged, the Chinese system, arguably a lot, uses intellectual property theft, cyber espionage, cyberattacks, dumping, government subsidies. So, given all this, leaving aside the issues you raised on how to enforce against it, why are you confident with this array of Chinese tactics against the U.S.?

Mr. Greenberg  

I think you can’t conflate the two. I’m confident in our model because it is a market-oriented model of economic development underpinned by the rule of law, individual and property rights. It has – and has extended itself to rules-based trade in promoting it. And we have a system that has created more wealth and prosperity for more people globally than any other system in human history. I’m confident in that.
China’s model is a – is a party or government-controlled, directed, top-down command-and-control model more and more. Over any period of time, that model does not sustain itself, Adam.

And by the way, that doesn’t mean that with that we’re laissez-faire, we don’t defend our interests. Of course don’t let somebody steal, don’t let somebody dump. And I know you can’t do it that unilaterally; you’re going to have to do that with others to enforce something like antidumping. Don’t allow industrial espionage and don’t allow too much state-subsidized investment and support to companies.

You’re never going to eliminate state-owned enterprises in China. In fact, I’m happy to compete against an SOE, by the way, in my business all day long. They’re terribly inefficient. However, they are distortive and there are – there are things that ought to be done to contain that.

And I think we’re down to maybe one last one.

Dr. Posen

Yeah, we’ve, unfortunately, got more questions than time. Let me try to get in two, if possible.

Mr. Greenberg

Pick the most hostile one.

Dr. Posen

Oh, come on. (Laughter.) You’ll ruin my reputation as a nice guy.

One thing which you say a few times in your speech is that there is a role for American business, multinational business to be engaged with the public sector in deciding things. Particularly, for example, you gave the example of technology policy and control of a small garden, high fence, and how business could play a role in determining what belongs on which side of the fence. Now, there are a lot of other people, as you acknowledged in your opening, who view American businesses, multinational companies as unpatriotic, just out to serve their bottom line. So, in practical terms, how can business be taken seriously in government? How can government get something useful out of it rather than just saying, yeah, yeah, yeah, yeah, I know you want to sell this?

Mr. Greenberg

Contrary to, I think, this mythical belief, most business leaders are not devoid of a moral compass or a deep patriotism for who they are and their country, and as citizens of their country. Most all I know try to align their own country’s interest and their company’s interest and not have daylight between them. And I think they hold a deep knowledge and a capability and an insight.

Who invented the technology? Who has a better knowledge of its uses and its operations and how it can really work? Who knows how others
will adapt it best? Who knows what to worry about in dual use and not? I mean, should we worry about cell phone technology as a military use, as an example? They have a better knowledge that way.

At the same time, government has some very bright, capable people, they'll know where to weed out what is self-interest on the part of a leader, if that's really the crass approach they want to take, versus what's – what is enduring truth or wisdom. So I think you trust that.

Just look at Ukraine today and Russia, and look at our cyber defense capability that we have mustered very quickly by bringing together the private sector and the public sector to work together when we could never work together in those areas. Companies just didn't want to come and participate with Washington. And yet, they have, and they've mustered – and I applaud it – they've mustered a defense that is – that is impressive. This is doable.

Dr. Posen

On that hopeful and constructive note, on behalf of John Hamre and the whole team here at CSIS, as well as my colleagues at the Peterson Institute, I’d like to ask you to join me in thanking Evan Greenberg for showing what business leadership can be. (Applause.)

Mr. Greenberg

Adam, thanks so much. (Applause.)

(END)