

**Chairman Gallagher Speech**  
*Speech on Decoupling from the CCP*  
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*as prepared for delivery*

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Throw a rock in Washington right now and you're bound to hit someone talking about selective decoupling from China. The lights inside think tanks are staying on late into the night cranking out reports on derisking frameworks.

But I recently read a provocative paper on selective decoupling.

Here's what the author proposed:

First, wean yourself off critical dependencies. Produce your own pharmaceutical ingredients, telecom infrastructure, medical devices, rare earths.

Second, make sure foreign adversaries can't spread their propaganda through digital platforms they control in your country.

Third, don't let adversarial governments buy up frontier technologies or critical infrastructure like ports.

The author of that proposal? A policy wonk named Xi Jinping at a think tank called The Chinese Communist Party. But here's the thing. It wasn't a proposal. There was no paper. It's what China's actually done.

Strategic decoupling is not new. It's been going on for decades now. But it's not us that's been doing it. It's the CCP. And it will continue to happen, whether we like it or not. The only question is whether we will allow Xi Jinping to dictate our dependencies or whether we take back the reins of our economic sovereignty.

Count me firmly in the economic sovereignty camp.

So I want to share three principles for how we should derisk.

One, we need to stop fueling our own destruction.

Whether this is investment in PLA-affiliated companies, the transfer of critical technology to the PRC defense sector, or lax research security, we must immediately stop advancing PLA capabilities that may one day be used to kill American servicemen and women.

Through index funds and ETFs, American pensions, and even Congress' retirement accounts, we are directly funding Chinese companies that develop weapons for the PLA. Take Aviation Industry Corporation of China, which builds the PRC's next generation stealth fighter jets. This is despite the fact that these companies are on the U.S. government's black lists and even sanctioned. If this sounds insane, then you're starting to realize that we are fueling our own destruction.

Vladimir Lenin reportedly observed that when the time came to hang the capitalists, they would vie with each other for the rope contract. We are uncomfortably close to making Lenin's quip a reality with the PLA.

To stop, we need to screen outbound investments into critical sectors in China, companies even distantly affiliated with the PLA, as well as entities tied to human rights abuses like the ongoing genocide of the Uyghur people in Xinjiang.

The second principle is that American businesses operating in China need to remove their golden blindfolds and accurately assess the increasing risks to doing business with the only true business partner in the PRC—the Chinese Communist Party.

Given the PRC's military-civil fusion strategy, there is no such thing as a truly private company in China. Every business in the PRC, big or small, must bow to the will of the CCP.

The CCP is ratcheting up risks to American companies. In a recent rewrite of the Counter-Espionage Law, the CCP has reserved the right to arbitrarily seize any documents, data, or property it deems relevant to national security – and in the mind of the CCP, national security encompasses whatever it wants it to. The law codifies a long tradition of exploitation, most recently seen in the raids on due diligence firms like Mintz Group’s office in Beijing, Bain & Company’s office in Shanghai, and Capvision in several Chinese cities.

Fortune 500 boards and asset managers need to take their fiduciary obligations seriously. If investors can’t access routine company disclosures, if CEOs can’t forecast with accurate macroeconomic data, how can they argue they are protecting their limited partners and shareholders? There is bi-partisan consensus across the national security community that the warning lights are flashing red in China. We need to vigorously enforce investor and shareholder protections to ensure executives and asset managers don’t tank our economy with willful ignorance.

We must also expose the CCP’s shell game in capital markets and protect US pensions, endowments, and retirement accounts

US capital markets are the deepest and most liquid in the world, undergirded by rule of law, shareholder rights, and transparency. None of those things exist to any meaningful degree for PRC companies listed on US exchanges, yet we continue to turn a blind eye. It’s past time to recognize that what a "company," a "disclosure" and a "law" mean in the PRC are vastly different from what they mean in the United States. We need to stop playing economic make-believe before we put our entire financial system at risk.

When U.S. investors buy equity in a U.S. company, they get an ownership stake and shareholder rights. Not so for the PRC. One investor likened buying VIE-backed securities like Alibaba, Tencent, and ByteDance to playing “fantasy football” and imagining that it’s the real NFL. We should not allow our banks to margin lend against VIE companies, which are often investments that are blatantly illegal under Chinese law itself.

Systemic risk is staring us in the face. Shame on us if we don’t act.

Finally, American companies need to take off the golden blindfolds when it comes to CCP human rights abuses.

Perhaps there's a simple litmus test: if you can't acknowledge human rights abuses in public because you fear CCP retaliation, you're too dependent on China.

Three, we need to reinforce our economic sovereignty.

The PRC has been decoupling from us for decades. We can either accept Beijing's vision for the US as China's economic vassal, or we can take back the reins of our economic sovereignty and secure our critical supply chains.

At the beginning of the pandemic, Chinese State Media threatened to plunge the United States into "a mighty sea of coronavirus" by withholding medicines and PPE. We can never put ourselves in that position again. The CCP will weaponize any dependency.

We need a combination of deregulation, tax incentives, and creative partnerships to onshore critical minerals production, advanced pharmaceuticals. We also need to take a long, hard look at our critical infrastructure, to include ports, telecommunications, and our information ecosystem.

We should also level the playing field through reciprocity. Fair is fair.

Imagine someone asked you to play a game. The rulebook for you is a thousand pages. The rulebook for your opponent is just a few lines. It's a game about money, but you know your opponent can never go bankrupt, gets unlimited loans, and is protected from all competition. That doesn't sound fair, does it? But that's the situation for American corporations going up against Chinese national champions. Add onto that the fact that the CCP has normalized abusive working conditions, environmental devastation, and currency manipulation and you see that American firms are competing with both hands tied behind their backs. We're not going to stoop to the CCP's level, so we need trade remedies.

We also need to consider reciprocity—why should Chinese companies have total market access when they restrict so many parts of the Chinese economy from US companies? We have normalized a toxic double standard.

Finally, the CCP has shown complete contempt for international trade rules, and a gleeful willingness to distort markets. Favorable trade arrangements should be reserved for our friends who play by the rules, not adversaries bent on our subordination.

We need to build resiliency to CCP coercion but there is a paradox of economic sovereignty—true safety doesn't lie in autarky but in collective resilience built with the right partners. That means opening up new markets for US businesses and defining a positive trade agenda.

So there you have it. That's how we stop fueling our own destruction, take off the golden blindfolds, and reinforce our economic sovereignty.

I'd like to end with an anecdote that shows just how acute the problem of CCP coercion is and how urgent it is for us to take back our economic sovereignty.

The Select Committee recently took a trip to New York to meet with CEO's of Wall Street banks and asset managers. A funny thing happened in the lead up to the trip. Almost every Wall Street executive we contacted requested anonymity as a condition of speaking with our bipartisan congressional delegation. Some didn't even want to be seen going in and out of the building. At times, it felt like we were running a witness protection program for affluent bankers. Yet, judging from news reports, some of the participants have no problem posing for photos in China with CCP officials.

I went to my hotel that night and asked myself: How did we get to this point where CEO's of major American companies are more comfortable meeting with CCP officials in public than with a bipartisan group of congressmen and women?

I didn't take it personally, but I couldn't ask for a better illustration of Beijing's economic coercion, and why we need to wake up and protect our economy and our country.