

Select Committee on the CCP Leaders

Address U.S. Chamber of Commerce

Moderator

All right. So thanks again, for all. Thank you. All right. I think you've all been waiting for this event. What I'd like to do today with the two congressmen is for you guys to get to know them, beyond seeing the hearings, seeing sound bites, seeing tweets, so you can know who they are how they think. I know a number of you are scared of these guys. I don't I didn't, I didn't find them very scary so far. So I'm going to start with just two introduction. I'm Mike Gallagher from the 8th district in Wisconsin Green Bay, just across from the district of Minnesota where I'm from. He's got a BA in International Affairs from Princeton. In his undergraduate days, he wrote 117 Page thesis on the new approaches to asymmetric threats in the Middle East. He is somebody that his undergrad was even working hard. 2006 2013 served in the US Marines, intelligence officer, two tours in Iraq, where he became friends with Matt Pottinger, who we all know, went on to get a master's in strategic intelligence, another Master's and then a PhD. from Georgetown dissertation on strategic adjustments during the Cold War, within with the Truman and Eisenhower administration's interesting that he was a staffer on the Senate Foreign Relations Committee, I also found that you were you haven't been in Congress that long, we are also started to try to reform the place.

Rep. Gallagher

You know, highly successful. Yeah.

Moderator

He wanted a lot of the committee chairs to choose their own chairs and ranking members. He wanted to call this consolidate, authorizing and appropriating committees. And he wanted to reform the house calendar three full weeks in one week in the district, which is a hell of a good idea. It'll never happen. But Congressman, Krishnamoorthi, who was born in New Delhi, grew up in Buffalo, New York, which is a bit of a different climate from New Delhi. But yeah. He then ended up in Peoria, Illinois, where his father is a professor. He got a bachelor's in medical engineering and then a law degree later from Harvard. He worked with Obama early on on his 2000 election for the house it was not successful, was involved in his 2004 campaign for the Senate. He was later Assistant Attorney General and Illinois Deputy State Treasurer. And these two came into Congress in the same class of 2016. The Congressman has earned a reputation as an investigator with the House Oversight Committee House Permanent Select Committee on Intelligence. He's been involved in looking at the vaping industry, insider trading by Congress, the Sackler family of Big Pharma, and many, many other things. They promised me that they won't do any filibustering, and I'm going to try not to do any myself. But I would like to just lay out things quickly on where the business community is on how we got here over the last 30 years. Basically, we're in this together. I remember when Charlene barczewski came in in mid 1990s. When filed three Oh ones on market access. The US government has pushed continually very

hard for American companies and market access in China. And some of our best companies have very strong market access. You get into 2000s WTO happened. It was boom times the multinationals are doing very well. China got worried about this and they started dialing back. We started calling it reform and closing instead of reform and opening, because we were making it tougher on companies. And then we had hacking and forced tech transfers and all of that. And we didn't do ourselves any good. Because came to Washington, they say this happened to my company, this hacking whatever. And the government say what would you like me to do and you go, don't do anything, don't mess up my China market share. So partly where we've ended up we may have a little bit of an own goal there. Today, what is what is the formula? It is you cannot be there. You cannot be there for the market size. As somebody said last night is scale or fail. If you're not in China, you're not going to have the ability to compete against the Koreans, the Japanese to Germans and others who will have that market share and be able to invest globally. But in a final notice. Business has always been the bridge and looked at as the bridge between In the US and China, and it actually is a hell of a bridge, these people work at all levels of Chinese society, much deeper than the diplomats actually. And that bridge, you know that you don't see it on the surface. But there's hundreds of 1000s, if not millions of employees who work for American companies and carry those values. And it's very important that there in China, not but not only for the market size, but also for the technology and innovation. China can innovate to innovate fast, they move fast, and it helps your company through there and you can bring it bring globally. So let's, let's just go right into it. I'd like to just have you talk about, you've done a number of hearings, you've been you've been talking to saying when you've been around talking to a lot of people, what have you learned, what have you learned? And how has it made you think differently about American business about China and China? Us? I'll start with you, Chairman, and then go on to Raj.

Rep. Gallagher

I will thank you so much. It's great to be here. It's great to be recognized as, as more than just a tweet. We're so much more than that. We're human beings darn it and sincerely look forward to engaging with this group. And I know there's a wealth of expertise and experience in the room. What have we learned thus far? I mean, Raja is probably tired of me talking about this way. But I tend to conceive of our competition with China's basically having three lines of effort, there is the military competition. There's economic statecraft, and then there's ideological competition, human rights. I think on the first and third thing, there actually is directional agreement between the parties, right, most people want to enhance deterrence across the Taiwan Strait, there should have meaningful ways where we can arm Taiwan to the teeth in order to prevent that. We have slight disagreements, but directionally, we're aligned on ideological competition as well. I mean, it's hard to find someone who is in the sort of pro genocide camp. At this point, I think everyone's sort of trying to figure out how to implement the Uighur force labor Prevention Act. Where the rubber really meets the road. And where I've learned the most or I come into this with the greatest degree of humility is on the economic statecraft component, because it's by far, the most difficult, right? Selective economic decoupling the phrase of the moment is a very, very difficult thing. I think it's easy to articulate the principles, it's harder to implement those three principles stand out to me. One is that I think we should not be funding our own destruction, whether it's American investors pouring money into PLA affiliated technology or into Baidu or things like that, whether it's technology transfer of critical technology that can be used to build things to enslave Uyghurs, or kill Americans in a future conflict. Whether there's just lax research security in America, I think we need to be more vigilant and not help fund China's project that's designed not only to militarize

the South China Sea, but ultimately to push America out of the region and shatter our traditional alliance structure. Second thing I'd say, I'll be quick I won't filibuster is just let's be clear eyed about the risks of doing business in China, right, you can't minimize the risks down to zero. But there are serious risks. Perhaps a good litmus test is if you are afraid to recognize obvious human rights abuses, then the Chinese Communist Party has too much leverage over you. Or consider just the systemic risk that VIE securities carry or the risks of having your assets seized in the event of a conflict. Again, we just want to have a conversation with the business community about these risks. And to use the bridge metaphor, it seems to me that Xi Jinping keeps sort of like putting little sticks of dynamite on this bridge. We just want to be aware of those. We want to have a conversation with the business community. Finally, I do think there are areas where we need to reclaim our economic independence, for lack of a better term. It's hard to draw the line. No one's arguing for a complete economic decoupling, but when it comes to pharmaceuticals, microelectronics, when it comes to energetics, when it comes to critical minerals, I do think we're going to have to invest some time, energy and money into onshoring, nearshoring, friend shoring, de risking whatever the phrase is. So that's something we're struggling with intellectually, there's no silver bullet solution. We can use your help. We can use your honest disagreement, and we look forward to learning as the committee's work unfolds. Please go to so I went on too long.

Rep. Krishnamoorthi

That's okay. We have a No Limits partnership. So, feel free to speak as long as you'd like, Chairman. In all seriousness, I agree with a lot of Mike's sentiments. I think that look, people talk about decoupling - we can't decouple from China. That doesn't make sense if we're intertwined at this point economically to, to really believe that that's possible. However, I do believe that there are areas where we're going to have to de risk supply chains. And Mike touched on a couple of them, whether it's an act of pharmaceuticals or critical minerals, or micro electronics, as he mentioned. I think that at the end of the day, we have to protect our values and interests, but we have to engage. And we have to do so with guardrails. And we have to always be deploying other tools at our disposal in our relationship. Right now, we're not talking to China. And perhaps some of your previous speakers already mentioned that. But we're not even having high level dialogue at this point between the principals. And that is not a good place to be. Finally, I would just say one thing, which is, I think that this opportunity in examining our strategic competition between the United States and the Chinese Communist Party, the CCP, is also an opportunity for us to up our game as Americans. That means we have to increase our American competitiveness, economic competitiveness. Next week, on Wednesday night, tune in for a 7pm hearing that we're conducting, to talk about ways that we should be upping our game and and some of the areas where I think that we need to up our game are investing in technologies of the future, whether it's in artificial intelligence, robotics, quantum computing, bio synthetics, and the light skilling our workforce, upgrading the skills of our workforce, to be able to innovate, and thrive in those technologies of the future. And then fixing problems with our own governance, our legal immigration system is screwed up. We are turning away the very talent that we are going to need to compete and excel and these technologies of the future. So I'm hoping, hoping that maybe we can have a conversation about that. And of course, hardening our supply chain is which we have all probably thought about in our businesses and elsewhere. So those are some of the areas that I'd like to focus on as well.

Moderator

Thank you. I'd like to ask about the operations of the committee a bit originally, it was going to be made about the Chairman and Ranking Member of every committee. And then then they would hive off to their own committees, not doing legislation. You have subpoena power, but you don't have the power to do legislation. But you're going to be expected to come up with some very strong recommendations at the end. Are you going to wait to the end of 2023? To do that? Are you going to try to do it earlier? What's tell us a little bit about the process.

Rep. Gallagher

Now we're going to do it in a series of smaller, kind of digestible policy endorsement reports. Hopefully, assuming we can come to an agreement. Some of those might be inspired by the hearings we had. So for example, after we had the hearing on the ongoing Uighur genocide, there was a variety of policy recommendations that come came from that we're hoping to have a policy report that will have the committee's endorsement of a set of practical proposals, and then we'll have a broader set of proposals related to all the work that we've done on Taiwan. And the goal here is to see, okay, what can be accomplished in the 118th Congress in a bipartisan fashion? What can we do in the near term sprint, to enhance our competitiveness and to enhance deterrence. We will then have an end of the year summary. And then we can do more detailed investigative reports in the next year. But I'll just finally say, having chaired this outside commission on cyber policy for two years with Senator Angus King, I really do think people in DC, the think tank community in Congress, outside commissions, overestimate the extent to which people read the stuff that they write, like, and I'm the consumer of a lot of this. So let's just be realistic about that and write products that are blueprints for legislative action, not just sort of nice things that collect dust on a congressional shelf somewhere.

Moderator

Congressman, you have you have been in your opening remarks for the committee, you were very much talking about how we have to have policies to compete and industrial policies, where we're hearing the words the committee's thinking on industrial policies and where you can go with that, because I noticed half the committee voted against the chips act, half the committee voted against the America COMPETES Act. I know there was other stuff going on in Congress with some other bills that were timing, but every Republican on the committee has voted against those bills. I'm not saying that to accuse anybody. But in the end, if we're going to have industrial policy, you're going to have to come together and bipartisan. Can you get the rest of Congress to be bipartisan on that?

Rep. Krishnamoorthi

no, I think I think I think we can but I think when we talk about an industrial policy, I think what what we what we mean is how do we help cultivate what doesn't exist to actually come into being which the private sector isn't going to pursue on its own. So, you know, as an example, you know, let's just take, for example, critical minerals and elements. I mean, part of the challenge here is that sometimes these critical minerals and elements don't exist in the United States, and I don't think the private sector is going to be able to change that necessarily. However, there might be ways to incentivize either synthetic production of some of those materials or substances, or forming relationships with allies or partners or friends around the world to come up with a way to source this material in a in a favorable way. With regard to manufacturing policy, I think there will be some, I believe that there's going to be

some impetus to attract some of that manufacturing back home. I mean, the fact that such a large percentage of our active pharmaceutical ingredients for so many antibiotics are sourced from China means that we are at grave risk for the neck in the next pandemic, or if it's used as a source of coercion. So that's where, you know, I think that we're going to be able to get votes by explaining why. There has to be a why. If we're not able to say why this why now, then we're not going to be able to get votes on either side. And I think that's really important for this.

Moderator

If you look at the history of the US economy, actually, it was the production or production, after World War Two that built up the industrial base that made us then turn into consumer goods in the 50s and 60s, even Marco Rubio says, We've got to start free, quit having free market fundamentalism. But I know that Republican, side is has a different view than the Democratic side. I mean, tell me what you think your colleagues are thinking on this? Will they vote for money for this kind of a thing?

Rep Gallagher

Well, I think I maybe I think a little bit too much like a political scientist in terms of conducting experiments to disconfirm a hypothesis. Right now, we're conducting a massive experiment in industrial policy with the chips act. I voted against it. I have some skepticism that it's going to work the way it's intended. But perhaps the most important thing is to observe and learn the right lessons. I think one thing we're hearing from even the most ardent proponents of the Chips Act is that there is a need for more aggressive deregulation in key areas or some carve out on NEPA. For example, if we want to have chip fabs built in the United States, within the next five years. And that I've just was influenced in my thinking by a liberal columnist, Ezra Klein, who wrote a recent article called the problem with everything bagel liberalism, talking about attaching all these different riders to chips grants, and how that can increase the cost. So perhaps there's a middle ground that we could arrive at with, even though Republicans are skeptical of 40 \$50 billion of subsidies. If you paired it with a more aggressive deregulatory effort, you could find a compromise? I want to build a bigger Navy. I don't think that's going to come out the select committee on China anytime soon, by the way that would solve your dependency on Taiwan for semiconductor issue because the PLA wouldn't dare invade Taiwan in that case. I think even on the thorny issues here, pharmaceuticals, critical minerals, energetics, I think we can find areas of agreement, where even if it's not the 100% solution, we're meaningfully advancing the ball down the field in this Congress. If nothing else, we could come up with a framework for selective decoupling, or de risking that starts to get the parties to talk to each other and identify what is the 70% center of gravity that everyone in Congress agrees upon when that 70% of Congress agrees upon and 70% of the world agrees upon. So maybe that sounds naive, but I'm cautiously optimistic we can get there.

Moderator

Are you going to have hearings, we're going to bring businessmen in front of the committee to give their views? Are you going to do that behind closed doors? Or what's the point?

Rep. Gallagher

We're doing both. We had a very productive trip out to California, both to meet with President Tsai and then also went up to Silicon Valley and we engaged with, you know, all the major tech companies in

closed door discussions that were very productive. We're going to have major business leaders at next week's hearing. So we intend to pursue a mix. I understand that a lot of business, bi companies and business leaders aren't eager to testify before Congress. I get it. I just would hope that the way we've conducted ourselves thus far in our committee hearing shows that this isn't gonna be some partisan circus, we can have intense debates about our policy, visa vie China going forward, this is a very complex thing. Companies should be prepared to defend their investment strategy in China, their manufacturing presence in China, we had I just have genuine questions about how we navigate this relationship going forward. So I think we'll have a mix.

Rep. Krishnamoorthi

Can I jump in with an anecdote about the first meeting? Yeah, you have to you have to hear about this very first meeting of the committee. So speaker McCarthy asked all of us to come to his conference room. And we met there. And not only was he there, but leader Hakeem Jeffries was sitting right next to him. That never happens. And basically, the two of them said the following, and I'm paraphrasing, which is, if you want to engage in partisanship, we've got committees for that. But if you want to get something done, this is the committee and we, we will try to do our best to insulate a little bit from the politics. But this is too important to get caught up in the rancor and the partisanship that normally attends congressional business. And the only last point I make is, there's this guy and actually, Mike, Mike and his team actually mentioned this first I looked him up his name is Wang Huning and he wrote a book called America versus America. And I actually looked it up my one, basically his thesis, and he's one of Xi Jinping closest advisors in the Politburo never, never speaks publicly, but he's one of his close advisers. Their thesis is that America in the long run cannot compete with the CCP, because we are too fractured, we are partisan, and we are prejudiced. We fight each other. So they don't have to worry about taking us down, we will do that for them. And so we have to play against type in this committee.

Rep. Gallagher

If we can get a resident of Illinois to read a book, there's truly no limit to what we can do. And this committee

Rep. Krishnamoorthi

is going to use the Green Bay Packers. Joe, you just got it in.

Moderator

I have one more question, then I'm gonna open it up to the audience. I understand neither of you have the opportunity to go to mainland China. If China invited you, would you go?

Rep. Gallagher

Someone? This is everyone's been asking me this recently. I don't know like, didn't like it has a demand signal gone up somewhere? Like where I swear, I've gotten asked this like 10 times in the last week? I quite honestly, I would have to know the details of the trip. My initial hesitation would be that it would be all either Augustus getting yelled at by Wolf warrior diplomats for three days and highly restricted movements. And it wouldn't actually be a meaningful exchange of ideas. But I'm not ruling it out of hand. But I don't know this. Where's this coming from? This?

Moderator

I thought of it, or somebody was copying me before even said it? Yeah. All right. Who's up? Who's got a question? Oh, Bill Serra. Bill is a former diplomat, the former longtime Commerce Department, head of China for the Commerce Department.

Rep. Gallagher

I guess you guys tell us if we went to China, how could we make it a productive?

Questioner

Jim? I was gonna say my name is Lester Ross. But anyway, yeah, Bill Serra, and I very much appreciate this bipartisan approach within Congress, but my sense is, I'm not convinced that we have a bipartisan or a moderate view, or an unbiased view of the US China relationship. And I say that after, well, before I saw the first hearing, but then after I saw the first hearing that you had, which was, I thought very complete, in its length.

Moderator

But I didn't know we got five minutes. But

Questioner

But my point is, it seemed to be very biased. With the folks that were testifying, it seemed like every person that was testifying was totally anti China. And I think for us to be most effective, we have to see that there are issues on both sides. And and with that approach, I think we'll be more successful

Rep. Gallagher

Well, I'm sure next week, you'll see a diversity of views. I'm sure as the committee's work progresses throughout the year, particularly when, and if major asset managers and American CEOs come address the committee, you'll see a different view. So I guess let's have the conversation at the end of the committee's work and see if there's a more balanced exchange. And then I would say, on the committee, there are meaningful disagreements, not just between the parties, but within the party. Right. You have some Democrats that are very pro free trade and Republicans, and then you have sort of this anti trade sentiment in both parties right now. So there's all sorts of weird bedfellows and fault lines that don't map neatly along ideological and party divides that I just find interesting. Congressman, you have

Rep. Krishnamoorthi

I was just gonna say I think we can't fall prey to groupthink. With regard to the CCP and the PRC. That being said, I think that there are some principles that we believe in as a committee that are important. But we're always I think we're always willing to listen to anybody who wants to come meet with us. God knows, it seems like a lot of people have requested to speak with us, and I don't think we've turned down any of those requests.

Moderator

Alright, we got three minutes and 52 seconds left. Somebody's got a short question. Shorter than sir. It's a question please. Yes, Piper. You can see a lot of us we all know each other.

Questioner

Hi, Piper Longvery. Strategy risks. Thanks so much for your point about America versus America. On the earlier panel, we heard from Barney Glaser of the German Marshall Fund, who stated that the Communist Party of China was influencing operations in Taiwan to create a psychological dissent or concerns, not unlike what we're talking about in this book, which I have not read. Are you talking about that type of operative work here in the United States by the party in your committee?

Rep. Gallagher

Well, certainly when we met with President Tsai, she talked very persuasively about what she calls cognitive warfare. And I think as someone who spent a lot of time on cyber operations, one thing that strikes me is that instead of like the cyber invasion of Taiwan has already begun in some meaningful sense. And in the military, we tend to like, draw a brighter line between conventional military operations and Information Operations in a way that I think the CCP and the PLA are much more comfortable in the gray zone. So that's an area where we're trying to educate ourselves and our members to understand that where I see it playing out in America is, I mean, I know that the like the wolf warrior phenomenon has waxed and waned over the last three years. But, you know, they tended to be all over our own social media platforms propagating pretty hateful, anti American propaganda, which I view as sort of part of the cognitive warfare strategy designed to get America to lose faith in itself. And of course, the perversity of it all is that your average Chinese citizen doesn't have access to these platforms, while CCP apparatchiks are all over just spreading, you know, conspiracy theories, like the fact that the pandemic emerged from Fort Detrick, Maryland. In fact, who is the guy who was always attacking me on Twitter, I forget. He's like one of the most prominent wolf warriors he since disappeared. He encouraged me to go visit Fort Detrick, which he said was just a couple hours drive away from Green Bay, Wisconsin. And then I drew a map when it's actually very far away that Green Bay

Moderator

another question?

Questioner

Hi, thank you for your remarks. I just want to appeal to identify yourself. I'm sorry, I'm Heather Clark with Eli Lilly, I just want to appeal to your desire to promote American competitiveness. This role gives you both a lot of exposure internationally. And as you meet with other foreign leaders. I think there's this window of opportunity, every company in this room is reevaluating their China's strategies and their China investment strategies. So where's that investment going to go into the future? It's going to come back to the United States, and it's going to go to other friendly countries. But there's a lot of countries that we work with that could do more to promote pro business environments. So if you're talking to the Koreans or you're talking to the Japanese or you're talking to the Europeans, please stress this point that this is a window of opportunity that exists because we're reevaluating our China operations and our

China investment strategy that they somebody should rise to the challenge and promote some some real pro business regulation and in some of these markets.

Rep. Krishnamoorthi

No, I think that's a great that's a great point. There's like a, as I talk as we talk to different business leaders, we're hearing them say exactly the same thing. You know, we've been talking about de risking supply chains. It sounds like business leaders are already doing that with their own companies. And so, you know, as they kind of consider, you know, places pro business jurisdictions to go to we should remember that here. And that's why they should come to Schomburg, which is in my congressional district.

Rep. Gallagher

I think it is probably obvious to the people in this room that while I think selective economic decoupling is going to continue, it's inevitable and probably will intensify for reasons having mostly to do with Xi Jinping's misbehavior. It is my view that you cannot selectively decouple or de risk or whatever we're saying, without simultaneously enhancing your economic and technological partnerships with the free world and countries that don't neatly fit within the free world paradigm and getting that second step right. And embarking on that second step with as much alacrity as we embark upon the first step I think is critical to our overall international economic competitiveness.

Moderator 30:56

You know, Congressman Gallagher, there's a question that many, many people have asked me to ask you. And so I can't help but do it in your opening hearing. You said, we may call this a street teacher competition. But this is not a polite tennis match. This is an existential struggle over what life will look like in the 21st century. And the most fundamental freedoms are at stake, that existential struggle thing that people just it's talked about a lot that you use that phrase, you want to just elaborate on that a little bit.

Rep. Gallagher

I stand by it, I mean, I just, you know, Pottinger sends me the things that Xi Jinping says at the party. And it seems like he talks about an existential terms, right? The inevitable demise of the capitalist system led by the United States and the triumph of world socialism - I'm left to conclude that they're thinking about it in a we win, when you die paradigm. So we do no favors to ourselves by ignoring the stakes it but differently in simpler terms, I don't think Las Vegas rules apply. What happens in Xinjiang, won't stay in Xinjiang. What happens in Taiwan won't stay in Taiwan. Their goal is not a clean balance of power. In Asia. It's actually more ambitious than that. And I would argue it's global. But what do I know? I'm a member of Congress, and I'm recovering Arabist.

Moderator 32:18

Well, thank you so much for coming and taking the time to talk to us today. Thank

Questioner

you, Jim. Kind of kind of one.

Moderator 32:25

May have lower, he's the He's the president of AmCham Beijing talk.

Questioner

So I take the question about what would you do if you went to China? I think it's a fair point. You wouldn't want a circus made out of a visit. But I would invite you to come to China, visit five US companies in two or three Chinese universities and engage with those folks. I think it would be eye opening and we would love to have you on that side to have a look at what US companies are doing their what their staff say and visit a couple Chinese universities and see what their perception is of the United States. We'd love to see you on that side.

Rep. Gallagher 33:04

As long as we get returned. Thank you so much.