

The
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The Economic Club of New York

115th Year
666th Meeting

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Chairman and Chief Executive Officer
Chubb Limited and Chubb Group

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Moderator: Jack Lew
Former U.S. Secretary of the Treasury

Introduction

President Barbara Van Allen

Good afternoon and welcome to the 666th meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. And it's an honor to be here with all of you in our milestone year, our 115th anniversary. The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues. And over time, more than 1,000 prominent guest speakers have appeared before the Club and have established a very strong tradition of excellence.

A special welcome to members of the ECNY 2022 Class of Fellows. We have 55 this year, by the way, a record. This is a select group of diverse, rising, next-gen business thought leaders. We also have joining us virtually today students from CUNY Graduate Center, Rutgers University, and the NYU Stern School of Business. So welcome to them as well.

Today, I am truly honored to welcome our special guest, Evan Greenberg. Evan is Chairman and CEO of Chubb Limited and Chubb Group. He was elected President and CEO in May of 2004 and Chairman of the Board of Directors in May of 2007.

Over the course of 45 years in the insurance industry, Evan held various underwriting

and leadership positions and gained significant insight into the global property, casualty and life insurance sectors. Prior to joining the company, then named ACE Limited, in 2001 as Vice Chairman, Evan spent 25 years at American International Group, properly known as AIG, where he served as President and COO from 1997 to 2000. Before that, he held a variety of senior management positions, including President and CEO of AIU, AIG's Foreign General Insurance organization, and CEO of AIG Far East, based in Japan.

Evan is Vice Chair of the National Committee on United States-China Relations and a Director of the US-China Business Council. He serves on the Board of Trustees of the Center for Strategic and International Studies, the Board of Trustees of the Asia Society, the Board of Directors of the Peterson Institute for International Economics, and the Advisory Board of Tsinghua University School of Economics and Management in Beijing.

The format today will begin with opening remarks from Evan followed by a conversation, and we're fortunate to have Former U.S. Secretary of the Treasury, Jack Lew, as our moderator. Thank you, Jack. As a reminder, this conversation is on the record and we do have media in the room and online. And now without further ado, Evan, the podium is yours.

Opening Remarks by Evan G. Greenberg

Thank you very much. I'm going to apologize in advance. I hope you're all wearing comfortable clothes. I hope you've gone to the restroom if you need to. I have a lot to say today on this subject.

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 implication is that American companies operating in China are unpatriotic or at best gullible and naive. There also is 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 interests. I also encounter arguments that America has gotten mugged by China in recent decades. According to this telling, China has solely benefitted at America's expense by the economic relationship between our two countries. Such assertions are inconsistent with observable facts and realities.

So I am 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 the policy discussion, 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 strength strengthens their own performance. These firms provide a powerful example in China, a country that in 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 am willing to make the case because I believe 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 on available facts and not left to voices on either extreme of the political spectrum to define. Members of the business community have been generally quiet on the subject, reticent to speak out, speak up, out of concern 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 sizable investments made over decades. But 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 \$2.5 trillion 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. 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. After all, it's strong, thriving business that creates jobs here and abroad. Consumers benefit with more variety and better reliability of products and services. Globalization serves to pool talent and accelerates learning about what works or doesn't work.

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 fighters, what Asian countries want most from the United States is increased market access and deeper trade ties 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 are 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 US-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 digital standards for new and emerging technologies.

While unpopular to say, though, we should also seek to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The truth is – which is TPP really

– the truth is that any trade initiative that does not include market access, 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 movement, 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 out-compete China.

I support the United States vigorously defending and protecting its strategic interests, and I expect China to do the same. This is particularly true in advanced technologies, 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 the foundation upon which our national security is built.

Our national ambitions are advanced by remaining a powerhouse of innovation. This requires the United States government to protect the right 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 and our workers.

Too often lately, China economic policy decisions in Washington have been made in the name of national security or worker's 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 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 upwards of one-half to two-thirds of global economic growth in the coming years will come from the Indo-Pacific region. The region is home to over 50% of the world's population, almost 60% of the world's youth, and 60% of GDP. In other words, the global growth story in the coming decades will substantially be defined by Asia's 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 that trade flows between the U.S. and China are, in fact, rising, even with reciprocal tariffs in place. The 2021 data showed 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% 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 can 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 size 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, 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 actions that tip the United States into a race to the bottom with China. I would 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 that lend themselves, though, to unilateral American solutions.

Contrary to what some in the U.S. hope, Washington does not have unilateral economic leverage to compel China to submit to American demands to reform its economy or political system. And here's why:

China has become the world's largest recipient of inbound foreign direct investment, though flows have dried up recently. In 2020, China's share of global FDI rose to an all-time of 25% 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 trading 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 close to 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 outperform 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% larger than China's. Our workers in many sectors are more productive. We enjoy the world's reserve currency and a higher education system that is 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 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 will need to strengthen our self-awareness of how our actions are interpreted by our allies and by our partners. They all recognize that full-scale U.S.-China 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 the supply chain in North America to make production work at a speed, scale, or price that could 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 heading 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 value to our national security, including economic, or our 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 decide for themselves to leave the Chinese market given their business models. The more products that policymakers place within this protected net, though, the more costs that consumers 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, undermine our own global 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. It is not in America's interest to relinquish market share in the world's second-largest economy, particularly when China's demand is growing for America's exports, from apples to advanced vehicles. It is not in America's national security interests 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 own interests over time.

There are virtually no other countries prepared to require their companies to exit the China market. On the margins, 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 will likely still acquire the capabilities it seeks.

And don't just take my word for it. We have run this experiment before. Previously, the United States unilaterally banned the sale of satellite technology to China. The result – American companies lost revenue. European competitors filled the vacuum and reaped profits, and China got the capabilities it sought. This was a mistake Congress corrected. Closing off American companies to China also would 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 market. Their revenues support jobs across the United States for designers and developers, marketers, managers, lawyers, accountants, scientists, and so many others.

America's deep economic presence in China also has allowed U.S. 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 of how many jobs our services and manufacturing exports to China support, we do know the United States generates between two and three million new jobs a year. We are a job-creating machine. Of course, such statistics provide cold comfort to those who have lost their jobs to companies that off-shored production to China.

And many hard-working Americans have lost their jobs to lower-wage workers in China. During what is often referred to as the China shock, the period from 2000-2015 after China's accession into the WTO, recent research puts the upper-bound estimate of manufacturing jobs lost to China at about two million. In other words, according to economist Adam Posen, from 2000-2015, the China shock was responsible for displacing about 130,000 workers per year. 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, if and when it occurs, to form international coalitions to address China's non-market economic practices, and to 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 and make directional progress toward 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 also 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 trade-offs of various approaches. These insights can best be 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 – 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 worker productivity by expanding access to healthcare, child and elder care, and improve 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, cyber-espionage, 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 the opportunities to take what it does not invent. We have allies and partners whose interests and concerns about Chinese behavior are congruent with our own. This is an asymmetric advantage for the United States that we need to do a better job of 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 that 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 judgment 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 that 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 back way to a more market-oriented path if

they want to continue to create wealth for their people.

I have 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 business that originally was 100% 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 of a financial services holding company in China. In fact, 86%.

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 they need. But our presence in China also is clearly in the interest of the United States, and of course, its profitability is in the interest 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 invest them where they attract the best return, and not where it privileges state interests. As an example, we provide private sector solutions to 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 employee 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 toward 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 with 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 worth 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 often are punished through loss of investor confidence in the direction of the company. 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, not the rule.

So my conclusions:

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 do to 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% of America's size in 2000. It is now 71% as big as America's economy. China's growing strength is discomfoting to many. But it is also a fact of life.

Tough words or unilateral actions are not going to turn the clock back 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 carry it out. We will have to trust that our success will cause China over time to re-evaluate its own interests in becoming more market-oriented. And to make progress in this direction, we'll need to understand and be responsive to our partners' top interests and concerns relating to China. Importantly, 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 the United States can best do so. 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 great challenges confronting our country. Such a debate on how to pursue a pragmatic, interest-driven approach toward China is sorely needed, now more than ever. Thank you very much. (Applause)

And now I'm going to be interrogated by Mr. Lew.

Conversation with Jack Lew

JACK LEW: Thank you very much, Evan, for taking the time to put those thoughts

together and to deliver them here and in Washington. I think it's fair to say that in order to have debate, there has to be the proposing of different views. And when it comes to China, more and more, on both sides of the spectrum, we see only one view. And it goes very much in a different direction from your comments, which only underscores the importance of opening the area for debate.

So I think that just to quickly summarize for people who didn't hear, I think that you put out views that very helpfully contrast with what is conventional wisdom on both political sides, in a different direction, which is really very much a growing antagonism in the public debate about China. And in order for there to be a debate, both sides have to be thoroughly thought through. And we all thank you for the putting time into making your remarks.

In the interest of full disclosure, I don't think it will come as a surprise to anyone that I share the belief that continued engagement is very important. I chair the National Committee on U.S.-China Relations where Evan and I discuss these issues regularly. And I'm going to ask a number of questions, kind of take your remarks and kind of putting it in the context of the conventional wisdom that goes the other way, and challenge a few of the ideas.

You say that we need to trust that China will see its own best interest and make the

kinds of changes that are needed. As one who has spent a lot of years in public life, making the case to Chinese counterparts that we weren't asking them to make changes for us, they needed to make the changes for their own best interests, we've had some success. Not as much success as we would have liked, but some success.

In the current environment with the attitudes in China getting a bit hard-lined toward the United States, your image of what we see in the United States toward China, there's less and less confidence that China sees us as a model that they can learn from and benefit from. What can you say to encourage, to support the idea that this kind of engagement is likely to lead to progress? And in the event that we're disappointed in the progress, why is it in our interest to continue to engage?

EVAN G. GREENBERG: Thanks, Jack. I'm...(microphone issue) I'm not sure how they have me turned up and you turned down...I'm putting out a case for an economic engagement that is in the U.S. interest. I'm not concerned about China's interests in my arguments. Whether China, and I'll come back to China, whether China pursues a model that I think it ultimately will in its own self-interest, and I'll explain why, that is more market-oriented and in our direction, then all the better.

If China doesn't, our ability to compete, I believe our model will outperform the Chinese model any day of the week. Our model that is market-oriented, rule of law-based,

property rights protection, individual protections, has created a system of wealth creation that has benefitted more people over a reasonable period of time than any other model, economic and political model in mankind's history. I'm confident, based upon that, in the U.S. model. Top-down command and control of an economy, particularly the size of China's as it grows larger and trying to direct only has constrained ability to continue economic growth over any period, reasonable period of time.

If China, I believe in its own interests, moves towards a more market-oriented, they're going to continue to grow then. And, by the way, that will mean survival of the party. Without that, the party is in great danger because if you don't continue to create wealth for your people, then any dynasty in China's history doesn't survive long.

But let's assume China doesn't, I'm suggesting that we advance rules-based trade with China and defend ourselves against China's predatory practices or their inhibitions to allow market access on a reciprocal basis. And so most of our \$600-and some odd billion dollars of mutual trade will continue to grow. And then there will be areas that we will protect ourselves against those practices. That's what's in our interest.

JACK LEW: So let's maybe drill into one specific issue. You and I have discussed how difficult this is – the issue of human rights. Can you hear me? In the case of human

rights, we have a new law that is going to be binding on U.S. businesses regarding labor (?) from Kim Jong. And you make the case quite clearly that there's a public responsibility to take the lead on issues like this. At the same time, businesses that are operating in China are dealing in an environment where they have to ask, what's my responsibility? Is it just to follow the law if it's passed? Or does it go beyond that?

EVAN G. GREENBERG: It's a difficult question, but I'm not going to duck it. I'll answer it like this. Number one, as Americans, we have deeply held views, deeply held values of individual rights, universal rights. It's an underpinning of who we are. It's an important part of our nation's strategy and it forms a part of our foreign policy. Our strategy and our foreign policy has other interests as well – prosperity and peace fall under the other two categories.

In any situation where we confront values that are not our own, we have to determine to what level they rise. And does it rise to the point of a threat to who we are as Americans, more than just a moral affront, but a national security affront? And we balance it against our other priorities. We make tradeoffs. They're not all pleasant and they're not satisfying. You know better than I do. You've been in that position. How do you make those tradeoffs? Our president is making a trip to Saudi Arabia and that is a clear example of those competing interests.

With China, we have the same balance of priorities that we have to navigate, as a nation in particular. And I don't think it's all about one or the other. And, by the way, and I've said this, and you've said turn it on its head, I think that one thing that we conflate the affront of China and human rights is the size and scale of China frightens us and concerns us. And the fact is, is if we decouple, given their size and scale, because of their human rights activities that fly in the face of our moral values, I think it's the wrong approach. What is our objective? Is it to engage and ultimately influence? Or is it to run away from each other and somehow put up a wall to guard against it? And I don't think that works. It's very hard to navigate.

JACK LEW: This issue of decoupling is one that I do agree with you, that there's an impossibility to it given how interconnected our economies and the global economy is. And this idea of selective decoupling can either happen in a chaotic way or it can happen in a way where people are talking to each other and there's a clear understanding. The hard part is defining where are our strategic interests and how broad does that category get? And does it have intellectual integrity that leads to any trust in where the future leads our two countries?

One of the things that I worry about is the lack of interconnection at many levels is leading to more and more distrust, which drives up the likelihood of misunderstandings and that is something that can spill out from economics into security concerns all too

easily.

How do you handle the definitional question of where you draw the line if there is, as you argue in your remarks, a real interest in separating sensitive areas? You know, we saw in recent years some of those definitions became quite flexible and I, for one, criticized using the security argument as really a trade lever. Security is security. Trade is trade. And when you confuse them, it gets harder to defend the security interests.

EVAN G. GREENBERG: It is a hard line. And in the first instance, I think you protect dual-use technologies where they can provide an asymmetric advantage to your potential adversary. A cell phone and cell phone technology, as an example, you could say is a dual-use technology, but it doesn't provide an asymmetric advantage and we have technologies that are superior to those today to guard against. I think you selectively think about it in that manner.

You hit on another point, though, that I think is so important and it's the work we do in the National Committee. The National Committee is about people-to-people relations. And our issue is not with the Chinese people. Our issue is with the policies of the party and in particular one leader who has moved the country further and further to the left. By the left, it means instead of collective rule, one man rule. It's more inward looking than outward looking. It means more state and party-dominated.

China has historically, through its history, moved further to the left and then moved back and moderated closer to the middle and to the right. That is its own history of wandering back and forth. Our issue is with those policies, not the Chinese people. Economics and trade engage more people on a daily basis who know each other than any other activity that we have together. And it's through those activities that the communications and understanding begin to bridge themselves. We have common purpose. We should recognize that. That helps to undermine the things that we don't admire in China.

JACK LEW: And needless to say, when we see anti-Asian rhetoric rising and actions rising, it doesn't call on the best in America that has others want to be more like us. So it actually weakens us if it becomes a negative. May I ask one more question, Barbara?

I thought to close our discussion, I'd like to bring it back to the business community and ask you the question of what can people in the business community who share the concern that economic issues ought to be on the table and a way to create more dialogue, more engagement, what should they be doing? How can they be part of having a fuller discussion?

EVAN G. GREENBERG: I've thought a lot about this and I don't have a corner on the wisdom of it. But I think the business community, because historically there was an underlying support broadly for trade and investment, international trade and investment,

and the fundamental beliefs in it, the business community could spend more time lobbying for individual sectors or business interests. I think we're in a place today where we have to go back to fundamentals. And the business community, I would hope more business leaders would come out to make the case broadly about why trade, international trade and investment is in our country's actual, it's in our country's interest and our national security interest.

JACK LEW: Thank you.

EVAN G. GREENBERG: Thank you, Jack.

PRESIDENT BARBARA VAN ALLEN: Thank you. You've given us a lot to think about and we very much appreciate having both of you here today.

I wanted to just mention we have a number of prominent speakers coming up. And let me just share quickly. We have a Signature Luncheon with Brian Cornell, the CEO of Target, this coming Tuesday, the 21st. That will be here. On June 27th, we have our annual Peter G. Peterson Leadership Excellence Award Dinner honoring Roger Ferguson and Stanley Fischer. And that will be a dinner also here. On July 13th, we have a webinar with Glenn Hubbard and Larry Summers, brought back by popular demand, and very timely. And then another webinar, July 21st, with Sara Armbruster,

the President and CEO of Steelcase, talking about what back-to-work looks like in terms of the modern office. And just FYI, we'll be rescheduling Club Trustee, Arvind Krishna, the Chair and CEO of IBM, shortly.

So, again, I'd like to thank, as I always do, the members of the Centennial Society who represent the financial backbone of the Club and they help to enable all of our wonderful programming. And just a final reminder, do send in, members, the email, post-event email so we can understand your responses to the survey so we can keep improving our value proposition. Thank you. Enjoy your lunch.