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THE BIDEN ADMINISTRATION'S INTERNATIONAL ECONOMIC AGENDA: A CONVERSATION WITH NATIONAL SECURITY ADVISOR JAKE SULLIVAN

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WELCOME

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KEYNOTE

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LIU: Great. Good afternoon. I'm Amy Liu. I'm the current president of Brookings, and it is my pleasure to welcome all of you here in the room and those who have joined us on Zoom to today's event featuring President Biden's national security adviser, Jake Sullivan.

Now, doing a little homework, getting ready for today, I learned that Jake Sullivan was voted most likely to succeed by his class of 1994 at Southwest High School in Minneapolis. And since then, Jake has been a Rhodes scholar, a graduate of Yale Law School, a Supreme Court clerk, director of policy planning in Hillary Clinton's State Department, and now national security advisor in the Biden administration. So I think it's safe to say his classmates were right.

I also think it's safe to say that we're lucky to have someone so capable in this role right now. Because as you all well know, a lot has happened since January 2021, since he took on the mantle. There's been the ebb and flow of a pandemic, the U.S. withdrawal from Afghanistan, Russia's full-scale invasion of Ukraine and resulting sanctions, the Russian detention of Wall Street Journal reporter Evan Gershkovich, escalating tensions with China over Taiwan, and the shooting down of a Chinese spy balloon. Bans on apps like TikTok, as well as active debates here at home about the privacy and security concerns of such platforms. A worldwide burst of inflation and passage of the most significant series of U.S. legislation to invest in technology, innovation, infrastructure, climate resilience and place-based industrial policy. And I could go on.

These events mark that not only is it a quite a time to be managing national security right now, they also point to the complexity of today's highly globalized world. And that's because all the events that I just mentioned are hyper-interconnected. And I believe this is the reason that Jake Sullivan is with us today and why he is, why his visit is hosted here by Brookings and in particular the Hutchins Center on Fiscal and Monetary Policy. Today's highly globalized world means that economics and national security couldn't be more interconnected. And for our part here at Brookings, where where we cover issues from foreign policy to global development to domestic economics, A.I., governance, cities and regional prosperity, we too, strive to connect these dots every day so that the policy ideas respond to these complexities and to the real world tensions, tradeoffs, and opportunities that they present.

Now for today's event, Jake will open with remarks about international economic policy at a time when the post-World War and the post-Cold War paradigm just doesn't fit these new realities. Now, following Jake's remarks, Jake will be joined by David Wessel, director of the Hutchins Center, who will moderate a short follow-up discussion with Jake, before turning to all of you for some questions. Now, one quick note about David before I scoot out of here. David was part of the class of 1971 at the Richard C Lee High School in New Haven. And since then, David spent 30 years at the Wall Street Journal. He shared two Pulitzer Prizes for journalism. He's published several books, including one on opportunity zones. And today he is leading one of Brookings' premiere research centers. So, David, I have no idea what your high school classmates designated you with, but I am sure you can claim most likely to succeed as well. So with that, please join me in welcoming Jake Sullivan.

SULLIVAN: Thank you so much, Amy, for that very kind introduction and for setting the scene today. And I look forward to the conversation as well. But I'm afraid that before we get to the conversation, I'm going to have to trouble you with some many minutes of remarks so you can hear the perspective of the Biden administration on this very important topic. I want to start by thanking all of you for indulging a national security adviser to discuss economics.

As most of you know, Secretary Yellen gave a very important speech just down the street last week on our economic policy with respect to China. Today, I'd like to zoom out to our broader international economic policy, particularly as it relates to President Biden's core commitment, indeed to his daily direction, to us, to more deeply integrate domestic policy and foreign policy. After the Second World War, the United States led a fragmented world to build a new international economic order. It lifted hundreds of millions of people out of poverty. It sustained thrilling technological innovations, and it helped the United States and many other countries around the world achieve new levels of prosperity. But the last few decades revealed cracks in those foundations. A shifting global economy left many working Americans and their communities behind. A financial crisis shook the middle class. A pandemic exposed the fragility of our supply chains. A changing climate threatened lives and livelihoods. Russia's invasion of Ukraine underscored the risks of overdependence. So this moment demands that we forge a new consensus. That's why the United States, under President Biden, is pursuing a modern industrial and innovation strategy, both at home and with partners around the world. One that invests in the sources of our economic and technological strength, that promotes diversified and resilient global supply chains, that sets high standards for everything from labor and the environment to trusted technology and good governance. And that deploys capital to deliver on public goods like climate and health. Now, the idea that a new Washington consensus, as some people have referred to it as somehow America alone or America and the West to the exclusion of others is just flat wrong. This strategy will build a fairer, more durable international economic order for the benefit of ourselves and for people everywhere.

So today, what I want to do is lay out what we are endeavoring to do. And I'll start by defining the challenges as we see them, the challenges that we face to take them on. We've had to revisit some old assumptions. Then I'll walk through step by step how our approach is tailored to meeting those challenges. When President Biden came to office more than two years ago, the country faced, from our perspective, four fundamental challenges. First, America's industrial base had been hollowed out. The vision of public investment that had energized the American project in the postwar years, and indeed for much of our history, had faded. It had given way to a set of ideas that championed tax cutting and deregulation, privatization over public action and trade liberalization as an end in itself. There was one assumption at the heart of all of this policy, that markets always allocate capital productively and efficiently, no matter what our competitors did, no matter how big our shared challenges grew, and no matter how many guardrails we took down. Now, no one, certainly not me, is discounting the power of markets. But in the name of oversimplified market efficiency, entire supply chains of strategic goods, along with the industries and jobs that made them moved overseas. And the postulate that deep trade liberalization would help America export goods, not jobs and capacity was a promise made but not kept. Another embedded assumption was that the type of growth didn't matter. All growth was good growth. So various reforms combined came together to privilege some sectors of the economy like finance, while other essential sectors like semiconductors and infrastructure atrophied. Our industrial capacity, which is crucial to any country's ability to continue to innovate, took a real hit. The shocks of a global financial crisis and a global pandemic laid bare the limits of these prevailing assumptions.

The second challenge we faced was adapting to a new environment defined by geopolitical and security competition with important economic impacts. Much of the international economic policy of the last few decades had relied upon the premise that economic integration would make nations more responsible and open, and that the global order would be more peaceful and cooperative. That bringing countries into the rules-based order would incentivize them to adhere to its rules. It didn't turn out that way. In some cases it did. In a lot of cases it did not. By the time President Biden came into office, we had to contend with the reality that a large non-market economy had been integrated into the international economic order in a way that posed considerable challenges. The People's Republic of China continued to subsidize at a massive scale both traditional industrial sectors like steel, as well as key industries of the future, like clean energy, digital infrastructure, and advanced biotechnologies. America didn't just lose manufacturing. We eroded our competitiveness in critical technologies that would define the future. Economic integration didn't stop China from expanding its military ambitions in the region or stop Russia from invading its democratic neighbors. Neither country had become more responsible or cooperative, and ignoring economic dependencies that had built up over the decades of liberalization had become really perilous. From energy uncertainty in Europe to supply chain vulnerabilities in medical equipment, semiconductors, and critical minerals, these were the kinds of dependencies that could be exploited for economic or geopolitical leverage.

The third challenge we faced was an accelerating climate crisis and the urgent need for a just and efficient clean energy transition. When President Biden came into office, we were falling dramatically short of our climate ambitions. Without a clear pathway to abundant supplies of stable and affordable clean energy, despite the best efforts of the Obama-Biden administration to make significant headway, too many people believed that we had to choose between economic growth and meeting our climate goals. President Biden has seen things totally differently. As he's often said, when he hears climate, he thinks jobs. He believes that building a 21st century clean energy economy is one of the most significant growth opportunities of the 21st century. But that to harness that opportunity, America needs a deliberate hands-on investment strategy to pull forward innovation, drive down costs and create good jobs.

Finally, we face the challenge of inequality and its damage to democracy. Here, the prevailing assumption was that trade-enabled growth would be inclusive growth. That the gains of trade would end up getting broadly shared within nations. But the fact is that those gains failed to reach a lot of working people. The American middle class lost ground while the wealthy did better than ever, and American manufacturing communities were hollowed out while cutting, cutting edge industries moved to metropolitan areas. Now the drivers of economic inequality, as many of you know even better than I, are complex, and they include structural realities like the digital revolution. But key among these drivers are decades of trickle-down economic policies. Policies like regressive tax cuts, deep cuts to public investment, unchecked corporate concentration and active measures to undermine the labor movement that initially built the American middle class. Efforts to take a different approach in the Obama administration, including efforts to pass policies to address climate change, invest in infrastructure, expand the social safety net and protect workers rights to organize were stymied by Republican opposition.

And frankly, our domestic economic policies also failed to fully account for the consequences of our international economic policies. For example, the so-called China shock that hit pockets of our domestic manufacturing industry especially hard with large and long-lasting impacts wasn't adequately anticipated and wasn't adequately adequately addressed as it unfolded.

And collectively, these forces have frayed the socioeconomic foundations on which any strong and resilient democracy rests. Now, these four challenges were not unique to the United States. Established and emerging economies were confronting them, too, in some cases more acutely than we were. So when President Biden came to office, he knew the solution to each of these challenges was to restore an economic mentality that champions building. And that is the core of our economic approach: to build, to build capacity, to build resilience, to build inclusiveness at home and with partners around the world. The capacity to produce and innovate and to deliver public goods like strong physical and digital infrastructure and clean energy at scale. The resilience to withstand natural disasters and geopolitical shocks and the inclusiveness to ensure a strong, vibrant American middle class and greater opportunity for working people around the world. All of that is part of what we have called a foreign policy for the middle class. And the first step is laying a new foundation at home with a modern American industrial strategy. My friend and former colleague Brian Deese has spoken about this new industrial strategy at some length, and I commend his remarks to you because they're better than any remarks that I could give on this subject. But in summary, a modern American industrial strategy identifies specific sectors that are foundational to economic growth, strategic from a national security perspective, and where private industry on its own isn't poised to make the investments needed to secure our national ambitions. It deploys targeted public investments in these areas that unlock the power and ingenuity of private markets, capitalism, and competition to lay a foundation for long-term growth. It helps enable American business to do what American business does best: innovate, scale, and compete. This is about crowding-in private investment, not replacing it. It's about making long-term investments in sectors vital to our national well-being, not picking winners and losers. And it has a long tradition in this country. In fact, even as the term industrial policy went out of fashion in some form, it remained quietly at work for America, from DARPA and the Internet, to NASA and commercial satellites.

Now, looking over the course of the last couple of years, the initial results of this strategy are actually quite remarkable. The Financial Times has reported that large-scale investments in semiconductor and clean energy production have surged almost 20-fold since 2019, and a third of the investments announced since August involve a foreign investor investing here in the United States. We've estimated that the total public capital and private investment from President Biden's agenda will amount to some $3.5 trillion over the next decade. Consider semiconductors, which are as essential to our consumer goods today as they are to the technologies that will shape our future, from artificial intelligence to quantum computing to synthetic biology. America now manufactures around 10% of the world's semiconductors. Production in general, and especially when it comes to the most advanced chips, is geographically concentrated elsewhere. This creates a critical economic risk and a national security vulnerability. So thanks to the bipartisan CHIPS and Science Act, we've already seen an orders of magnitude increase in investment into America's semiconductor industry, and it's still early days. Or consider critical minerals, the backbone of the clean energy future. Today, the United States produces only 4% of the lithium, 13% of the cobalt, 0% of the nickel and 0% of the graphite required to meet current demand for electric vehicles. Meanwhile, more than 80% of critical minerals are processed by one country: China. Clean energy supply chains are at risk of being weaponized in the same way as oil in the 1970s or natural gas in Europe in 2022. So through the investments in the Inflation Reduction Act and the bipartisan infrastructure law, we are taking action.

At the same time, it isn't feasible or desirable to build everything domestically. Our objective is not autarky. It's resilience and security in our supply chains. Now, building domestic capacity is the starting point, but the effort extends beyond our borders. And this brings me to the second step in our strategy working with our partners to ensure they are building capacity, resilience, and inclusiveness too. Our message to them has been consistent. We will unapologetically pursue our industrial strategy at home, but we are unambiguously committed to not leaving our friends behind. We want them to join us. In fact, we need them to join us. Creating a secure and sustainable economy in the face of the economic and geopolitical realities will require all of our allies and partners to do more. And there is no time to lose. For industries like semiconductors and clean energy, we are nowhere near the global saturation point of investments needed, public or private. Ultimately, our goal is a strong, resilient, and leading-edge techno-industrial base that the United States and its like-minded partners, established in emerging economies alike, can invest in and rely upon together. President Biden and European Commission President Ursula von der Leyen talked about this here in Washington last month. They released a very important statement that if you haven't read, I really encourage you to read because, at its heart what the statement said was the following: Bold public investments in our respective industrial capacity needs to be at the heart of the clean energy transition. And President von der Leyen and President Biden committed to working together to ensure that the supply chains of the future are resilient, secure, and reflective of our values, including on labor. They laid out practical steps in the statement to achieve those goals, like aligning clean energy incentives, the respective incentives on on each side of the Atlantic, and launching a negotiation on supply chains for critical minerals and batteries. Shortly after that, President Biden went to Canada and he and Prime Minister Trudeau established a task force to accelerate cooperation between Canada and the United States towards exactly the same end, ensuring our clean energy supply and creating middle class jobs on both sides of the border. And just a few days after that, the United States and Japan signed an agreement deepening our cooperation on critical minerals supply chains. So we are leveraging the Inflation Reduction Act to build a clean energy manufacturing ecosystem rooted in supply chains here in North America, extending to Europe, Japan and elsewhere. This is how we will turn the IRA. from a source of friction into a source of strength and reliability. And I suspect you will hear more on this subject at the G7 in Hiroshima next month.

Now, our cooperation with our partners is not limited to clean energy. For example, we're working with several countries in Europe, the Republic of Korea, Japan, India. And we're also working with Taiwan to coordinate our approaches to semiconductor incentives. Analyst projections on where semiconductor investments will happen over the next three years have shifted dramatically with the United States and key partners now topping the charts. Let me also underscore a critical point. Our cooperation with partners is not limited to advanced industrial democracies. Fundamentally, we have to and we intend to dispel the notion that America's most important partnerships are only with established economies. Not just by saying that, but by proving it. Proving it with India on everything from hydrogen to semiconductors, proving it with Angola on carbon-free solar power, with Indonesia on its just energy transition partnership with Brazil, on climate-friendly economic growth. So this brings me to the third step in our strategy: moving beyond traditional trade deals to new international economic partnerships focused on the core challenges of our time. The main international economic project of the 1990s was reducing tariffs. On average, applied U.S. tariff rates were nearly cut in half during the 1990s. Today, in 2023, our trade-weighted average tariff rate is 2.4%, which is low historically, and it's low relative to other countries. Of course, those tariffs aren't uniform and there is still work to be done bringing tariff levels down, in many other countries to. As Ambassador Tai has said, we've not sworn off market liberalization. We do intend to pursue modern trade agreements. But to define or measure our entire policy based on tariff reduction misses something important. Asking what our trade policy is now, narrowly framed as plans to reduce tariffs further, is simply the wrong question. The right question is how does trade fit into our international economic policy? And what problems is it seeking to solve? The project of the 2020s and the 2030s is different than the project of the 1990s. We know the problems we need to solve today: creating those diversified and resilient supply chains, mobilizing public and private investment for a just clean energy transition and sustainable economic growth, creating good jobs along the way, family supporting jobs. Ensuring trust, safety and openness in our digital infrastructure. Stopping a race to the bottom in corporate taxation. Enhancing protections for labor and the environment. Tackling corruption. That is a different set of fundamental priorities than simply bringing down tariffs. And we have designed the elements of an ambitious regional economic initiative, the Indo-Pacific economic framework, to focus on those problems and solving those problems. We're negotiating chapters with 13 Indo-Pacific nations that will hasten the clean energy transition, implement tax fairness and fight corruption, set high standards for technology, and ensure more resilient supply chains for critical goods and inputs. Let me speak a bit more concretely. Had IPEF been in place when COVID wreaked havoc on our supply chains and factories sat idling, we would have been able to react more quickly, companies and governments together, pivoting to new options for sourcing and sharing data in real time. That's what a new approach can look like on that issue as on many others.

Our new America's Partnership for Economic Prosperity, launched with a number of our key partners here and in the Americas, is aimed at the same basic set of objectives. Meanwhile, through the U.S.-EU Trade and Technology Council, through our trilateral coordination with Japan and Korea, we are coordinating our industrial strategies to complement one another and avert a race to the bottom by all competing for the same targets. Now, some have looked at these initiatives and said, "but they aren't traditional FTAs." That's exactly the point. For the problems we're trying to solve today, the traditional model doesn't cut it. The era of after the fact policy patches and vague promises of redistribution is over. We need a new approach. Simply put, in today's world, trade policy needs to be about more than tariff reduction, and trade policy needs to be fully integrated into our economic strategy at home and abroad. At the same time, the Biden administration is developing a new global labor strategy that advances workers' rights through diplomacy. And we will be unveiling the strategy in the weeks ahead. It builds on tools like the rapid-response labor mechanism in USMCA that enforces workers association and collective bargaining rights. Just this week, in fact, we've resolved our eighth case with an agreement that improved working conditions, a win-win for Mexican workers and American competitiveness. We're in the process now of continuing to lead a historic agreement with 136 countries to finally end the race to the bottom on corporate taxes that hurt middle class and working people.

Now, Congress needs to follow through with the implementing legislation, and we are working with them to do exactly that. And we're taking another kind of new approach that we think will be a critical blueprint for the future, linking trade and climate in a way that has never been done before. The global arrangement on steel and aluminum that we are negotiating with the European Union could be the first major trade deal to tackle both emissions intensity and overcapacity. And if we can apply it to steel and aluminum, we can look at how it applies in other sectors as well. We can help create a virtuous cycle and ensure our competitors aren't gaining an advantage by degrading the planet. Now, for those who have posed the question, the Biden administration is still committed to the WTO and the shared values upon which it is built: fair competition, openness, transparency, the rule of law. But serious challenges, most notably non-market economic practices and policies, threaten those core values. So that's why we're working with so many other WTO members to reform the multilateral trading system so that it benefits workers, accommodates legitimate national security interests, and confronts pressing issues that aren't fully embedded in the current WTO framework, like sustainable development and the clean energy transition. In sum, in a world being transformed by that clean energy transition, by dynamic emerging economies, by a quest for supply chain resilience, by digitization, by artificial intelligence, and by a revolution in biotechnology, the game is not the same. Our international economic policy has to adapt to the world as it is so that we are capable of building the world that we want.

This brings me to the fourth step in our strategy: mobilizing trillions of dollars in investment into emerging economies with solutions that those countries are fashioning on their own, but with capital that is enabled by a different brand of U.S. diplomacy. We've launched a major effort to evolve the multilateral development banks, so they're up to the challenges of today. 2023 is a big year for this. As Secretary Yellen has outlined, we need to update the bank's operating models, especially the World Bank, but the regional development banks as well. We need to stretch their balance sheets to address climate change, pandemics, fragility and conflict. And we have to expand access to concessional high-quality finance for low-income and for middle-income countries as they deal with challenges that span beyond any single nation's borders. We saw an early down payment on this agenda last month, but we'll need to do much more. And we're very excited for Ajay Banga's new leadership at the World Bank to make this vision a reality. At the same time as we are evolving the multilateral development banks, we've also launched a major infrastructure, a major effort to close the infrastructure gap in low- and middle-income countries. We call it the Partnership for Global Infrastructure and Investment, PGII. PGII will mobilize hundreds of billions of dollars in energy, physical, and digital infrastructure financing between now and the end of the decade. And unlike the financing that comes in the Belt-Road Initiative, projects under PGII are transparent and high-standard and in service of long-term, inclusive, and sustainable growth. And in just under a year since this initiative launched, we've already delivered significant investments in everything from the mines needed to power electric vehicles to global subsea telecom cables. At the same time, we're committed to addressing the debt distress faced by an increasingly large number of vulnerable countries. We need to see genuine relief, not just extending and pretending. And we need to see all bilateral, official, and private creditors share the burden. That includes China, which has worked to build its influence through massive lending to the emerging world, almost always with strings attached. We share the view of many others that China now needs to step up as a constructive force in assisting debt-stressed countries.

Finally, we're protect we are protecting our foundational technologies with a small yard and a high fence. As I've argued before, our charge is to usher in a new wave of the digital revolution, one that ensures the next-generation technologies work for, not against our democracies and our security. We've implemented carefully tailored restrictions on the most advanced semiconductor technology exports to China. Those restrictions are premised on straightforward national security concerns. Key allies and partners have followed suit consistent with their own security concerns. We're also enhancing the screening of foreign investments in critical areas relevant to national security. And we're making progress in addressing outbound investments in sensitive technologies with a core national security nexus. These are tailored measures. They are not, as Beijing says, a technology blockade. They are not targeting emerging economies. They are focused on a narrow slice of technology and a small number of countries intent on challenging us militarily.

A word on China more broadly. As President von der Leyen put it recently, we are for de-risking and diversifying, not decoupling. We'll keep investing in our own capacities and in secure, resilient supply chains. We'll keep pushing for a level playing field for our workers and companies in defending against abuses. Our export controls will remain narrowly focused on technology that could tilt the military balance. We are simply ensuring that U.S. and allied technology is not used against us. We are not cutting off trade. In fact, the United States continues to have a very substantial trade and investment relationship with China. Bilateral trade between the U.S. and China set a new record last year. Now, when you zoom out from economics, we are competing with China on multiple dimensions, but we are not looking for confrontation or conflict. We're looking to manage competition responsibly and seeking to work together with China where we can. President Biden has made clear that the U.S. and China can and should work together on global challenges like the climate, like macroeconomic stability, health security, food security. Managing competition ultimately requires two willing parties. It requires a degree of strategic maturity to accept that we must maintain open lines of communication, even as we take actions to compete. As Secretary Yellen said last week in her speech on this topic, we can defend our national security interests, have a healthy economic competition, and work together where possible. But China has to be willing to play its part.

So what does success look like? The world needs an international economic system that works for our wage-earners, works for our industries, works for our climate, works for our national security, and works for the world's poorest and most vulnerable countries. That means replacing a singular approach focused on the oversimplified assumptions that I set out at the top of my speech with one that encourages targeted and necessary investments in places that private markets are ill-suited to address on their own, even as we continue to harness the power of markets in integration. It means providing space for partners around the world to restore the compacts between governments and their voters and workers. It means grounding this new approach in deep cooperation and transparency to ensure that our investments and those of our partners are mutually reinforcing and beneficial. And it means returning to the core belief we first championed 80 years ago that America should be at the heart of a vibrant international financial system that enables partners around the world to reduce poverty and enhanced shared prosperity, and that a functioning social safety net for the world's most vulnerable countries is essential to our own core interests. It also means building new norms that allow us to address the challenges posed by the intersection of advanced technology and national security without obstructing broader trade and innovation. This strategy will take resolve. It'll take a dedicated commitment to overcoming the barriers that have kept this country and our partners from building rapidly, efficiently and fairly as we were able to do in the past. But it is the surest path to restoring the middle class, to producing a just and effective clean energy transition, to securing critical supply chains. And through all of this, to repairing faith in democracy itself. As always, we need the full and bipartisan partnership of Congress if we're going to succeed. We need support from Congress to revive America's unique capacity to attract and retain the brightest talent from around the world. We need the Hill's full partnership on our reform initiatives in development finance. And we need to double down on our investments in infrastructure, innovation and clean energy. Our national security and our economic vitality depend on it.

Let me close with this. President Kennedy was fond of saying that a rising tide lifts all boats. Over the years, advocates of trickle-down economics appropriated this phrase for their own uses. But President Kennedy wasn't saying what's good for the wealthy is good for the working class. He was saying, we're all in this together. And look at what he said next. If one section of the country is standing still, then sooner or later, a dropping tide drops all boats. That's true for our country. That's true for our world. Economically, over time, we are going to rise or fall together. And that goes for the strength of our democracies, as well as for the strength of our economies. As we pursue this strategy at home and abroad, there will be reasonable debate. And this is going to take time. The international order that emerged after the end of the Second World War and then the Cold War were not built overnight. Neither will this one. But together, we can work to lift up all of America's people, communities, and industries. And we can do the same with our friends and partners everywhere around the globe as well. This is a vision the Biden administration must and will fight to achieve. This is what is guiding us as we make our policy decisions at the intersection of economics, national security, and democracy. And this is the work that we will do, not just as a government, but with every element of the United States and with the support and help of partners, both in government and out of government around the world. So I'm grateful for your patience today in hearing me out. I thank you very much and I look forward to the conversation.

WESSEL: Well, thank you very much, Mr. Sullivan, and it's an honor to have you here. You covered a lot of ground in this speech, and I'm only going to touch on a couple of things, and I'm going to ask for a couple of questions from some of my colleagues in the audience. And I think I want to start with China, which is a big question about our international economic strategy. And I want to start with a very simple question. Do you think that a prosperous, growing China is in our national interest or not?

SULLIVAN: Well, Secretary Yellen actually laid out in her speech her view is that we are not trying to constrain China's economic growth and that every country having a stable, functioning economy that's delivering for its people is good for overall global stability and national security. But at the same time, we have also been equally clear that there is a slice of technology that we believe is used for the gaining of military advantage that the United States needs to protect and has taken steps to protect under this administration. And we will continue to do that. And we also believe that any country, whether it's China or anyone else, absolutely dominating critical supply chains in ways in which they could use the leverage of that dominance to harm American workers, the American people or American security, this is not in our interest. And it is not in our partners' interests. It's not in the world's interest. And so I quoted Ursula von der Leyen in my speech, but we converge with key European leaders in saying we are for de-risking, not for decoupling. And de-risking fundamentally means having resilient, effective supply chains and ensuring we cannot be subject to the coercion of any other country.

WESSEL: In your September speech, you said that you thought the U.S. needed to maintain as large a lead as possible in technology, and you gave a couple of examples: advanced logic and memory checks. That didn't sound like a national security argument. You emphasized national security today, but are you basically saying we are determined to prevent China from competing with us on these advanced technologies?

SULLIVAN: Well, first, we sell, American companies sell, and American inputs are in the products of other companies sold to China, in semiconductors and many other technologies, in biotechnology and clean energy technology. And Biden administration has not taken steps to cut that off. What we have taken steps to do is for the most advanced semiconductors -- logic and memory chips as I referenced in that speech -- we have said that there is a certain category and class of input that we are not going to permit to be sold to China because we do regard that as a national security challenge. Now, if you look at the totality of the speech I gave last September, it was an unapologetic case for the United States maintaining our technology leadership over everyone, that we would be the leading-edge technology innovation powerhouse in the world. We should continue to be. But the speech had a very short section on export controls and a very long section on the kinds of investments that we need to make to maintain that edge. Investments in our own industrial and innovation base, attracting the world's best talent to come here, to start the companies and invent the things that are going to keep us on the leading edge. And of course, working with allies and partners to build the kind of ecosystem that is going to keep us with the kinds of technology leadership that have sustained us through decades. So I am very much for American technology leadership. But on the question of restrictions and export controls, as I said in a speech at Georgetown on our national security strategy, that is subject to the basic core principle of small yard,high fence.

WESSEL: So it seems to me that the international economic architecture that followed the end of World War II and was refined after the end of the Cold War, sort of has an assumption that economies, the big economies, would pretty much run their economies in similar ways with some differences. It didn't anticipate the rise of China. The Soviet Union was economically insignificant. So as you point out, China's too big to exclude and you say we want to de-risk but not decouple. But it seems to me that we don't yet have the rules or the institutions to accommodate a big economy that has quite a different approach to the economies are. So how do you think we can reshape these institutions and rules so that every interaction doesn't become a crisis?

SULLIVAN: Well, that's I mean, that really is truly the core of our strategy. And it's each of the elements that I laid out. You know, I mentioned in the speech that we are not walking away from the WTO, but the WTO needs fundamental reform to account for the exact thing you just said, the presence of this massive non-market economy that just has a different structure to it than the way the WTO is envisioned to be operating with everyone else. We can't wait for WTO reform, though. We have to be pursuing a range of other strategies to deal with the fact of China as it is. That includes things like the global arrangement on steel and aluminum, how you deal with emissions intensity and overcapacity in an area like steel. It includes the Indo-Pacific Economic Framework. How do you get diversified and resilient supply chains so that no one country can can dominate? And it includes measures the United States will have to take itself to respond to particular abuses that harm American workers and consumers. So at the G7, both in Cornwall and then again last year in Elmau, the G7 spoke about how we could collectively align our approaches to deal with certain non-market economic practices that are fundamentally harmful and and have a coherent and coordinated, I guess on think tank row, what we call plurilateral approach, non-multilateral approach. And that's got to be part of it as well. And that in the end, the way that we are going to build an international economic architecture is not going to be with kind of Parthenon style clear pillars as we did after the end of the Second World War, but something that feels a little bit more like Frank Gehry. You know, that's a mix of structures and substances, but could be.

WESSEL: You just gave a gift to the political cartoonist, but.

SULLIVAN: Could be equally beautiful. Could be equally beautiful or differently beautiful.

WESSEL: So you anticipated some of my questions on, well, what is your attitude towards trade? And I think you gave pretty solid answers there, but I wonder if you could talk a little bit about how you think about foreign direct investment, both inward and outward. And one of the things I wonder about is, given that every Chinese company is somehow connected with the government or certainly connected with the Communist Party, are we moving towards a situation where we just don't want FDI from China? And how narrow are you thinking of making the rules that limit U.S. companies' foreign direct investment?

SULLIVAN: Look, you put your finger on what is a difficult conundrum. You know, the PRC and its senior officials talk about a quote unquote technology blockade, and they talk about this notion that we're trying to suppress the economic growth of this country. That is not the object of this administration's policy or the work that we're doing with allies and partners. But we do have an issue which is that the PRC has a series of policies that link its major industrial champions to its national security enterprise in ways that harm America's national security. And so how do you effectively de-risk without decoupling? And there is no clear mathematical formula for that. So just to give an example, we have talked for some time about doing a set of outbound investment regulations, which we have not funded for targeted on national security. Why has that not appeared yet? It's neither because we're lazy or because we're not doing the work. It's because we are trying to take care to answer your question in a way that is sustainable and effective, to draw the line in a place that really does target national security, but also accounts for the fact that there's a massive bleeding of kind of core commercial activity into the national security realm given the structure of the PRC economy. So it requires an incredible amount of very thoughtful, very deliberate work and taking modest steps and then sort of seeing how that works and then taking further steps. And so as we work on the outbound investment regimen, it is precisely this issue that you have raised that we are trying to grapple with and come up with a sustainable model for how to solve.

WESSEL: So when do you think we're going to see that?

SULLIVAN: We'll see, we'll see.

WESSEL: Let me ask two more questions, and then I want to turn to the audience. You've outlined a very broad set of objectives for U.S. international economic policy, and there's a sense on almost anything anybody could think about there. But I want to ask you about Africa. Africa, 1.4 billion people, about the population of China. The administration has talked a lot about Africa, sent lots of senior officials there. But I'm wondering, how does Africa fit into this framework and what's your pitch to the African governments and people as part of how do they fit in this strategy?

SULLIVAN: Well, first, an entire pillar of the strategy is devoted to how we mobilize capital in constructive ways to be able to deal with precisely the challenges facing African countries. That's a combination of reforming our multilateral development banks so they are just lending at a different scale and with a different ambition than they have before, which is a key demand of our African partners. It means making the Partnership for Global Infrastructure and Investment a truly effective vehicle for responding to the infrastructure needs of these countries. And this Angola example that I referred to, a $2 billion investment in the deployment of solar there is a down payment on a longer-term effort. It means debt relief and having the emerging, the advanced economies of the world come together with the United States in the lead around driving debt relief, but also bringing the PRC into it, and the Zambia case is a is a highly relevant case on that. But then it also means that for the core things that are are at the heart of what we're looking to do, resilient supply chains, clean energy transition, a technology ecosystem of trust and openness, it means dealing countries in Africa, the Americas, Southeast Asia into the equation in a serious way. And so clean energy infrastructure, digital infrastructure, as well as physical infrastructure has to be part of the theory of the case of building that is at the heart of the Biden administration policy. So this is a big year for all of this. And when we go to the G7 in Hiroshima, it won't just be the G7 countries that are there. It'll be the leaders of some of the most critical advanced -- emerging economies in the world as well. And then moving our way in to the G20 in India in the fall, driving forward on this whole issue of development finance, clean energy transition and the digital revolution, this is something that as national security advisor I actually put a lot of my time into, and it was core to the agenda of the African Leaders Summit when the president hosted all of the African leaders last December.

WESSEL: So finally, the world is a complicated place and you covered, as I said earlier, an enormous amount of territory in your very thoughtful speech. But I wonder if you could think about your classmates at and high school classmates in Minneapolis and as well as, say, the leaders of the G20. And how would you explain your international economic strategy in a couple of sentences instead of 20 pages?

SULLIVAN: Well, if I was going to do in a couple of sentences, I wouldn't have subjected everybody here to my. . .

WESSEL: You an opportunity to write the lede here.

SULLIVAN: No, I mean, basically what I would say to people -- and it might be more than a couple of sentences, but not many more -- is our economic strategy stopped really focusing on building the things we need to build. And we're at a moment now where we need to build capacity to produce the goods and invent the technologies of the future. And we're going to make the investments to do that. Us plus everyone else who wants to get in on the deal. And then we are going to build the resilience we need. And that's especially true so that no natural disaster and no geopolitical shock can stop us from getting the things we need when we need them. And we do those two things, we build capacity and resilience, what we will end up doing is building an economy that works for the middle class, for middle-class people here, for working people everywhere in the world. That's basically our strategy and it has a lot of different dimensions about deploying capital and everything else. But at the end of the day, what we are trying to do is build the capacity to make things and deploy them and the resilience to be able to withstand the shocks of today's world, from the climate crisis to a global pandemic to a war. And if we can do those two things, then whether it's the Russian invasion of Ukraine or COVID-19 or economic coercion from the PRC, we'll be able to deal with that. And we'll also be able to offer people a good paying job at a good wage, with a job that has the dignity of building something that is going to deliver the advanced industry and innovation of the future. So that was more than two sentences, but basically that's the vision. Strip away all the policy stuff. That's what our international economic policy really has . ..

WESSEL: It sounds like you're saying is the criteria is. "what's in it for us?" That wasn't a very globalist internationalist answer you gave. So is that intentional or did I just or am I misrepresenting?

SULLIVAN: No, because I think fundamentally, and as I said in the speech, that we're not shifting from the old Washington consensus to a new one that's about America alone. It's actually that the needs of established and emerging economies alike are aligned around this need to build. What are we going to do to solve the climate crisis? We have to deploy clean energy infrastructure at a unimaginable scale everywhere, and we've got to build that. What are we going to do for the next pandemic? We are going to have to build and deploy the capacity for medical countermeasures everywhere. An the last pandemic showed that not having a vaccine manufacturing in Senegal, or Buenos Aires, wherever hurt the world. And that hurt us, too. So that the theory of building is, yeah, unapologetically about, we are going to build here, we are going to restore our capacity in industry and innovation here in this country, no doubt about it. But we are going to ask everyone else to do the same thing. And if we all collectively do that, and then we align so that we're not just competing against each other in totally inefficient ways, we will be in a much better position, all of us collectively. But I say all of that and then return to the fundamental underlying proposition, which is the job as national security adviser is to wake up every day and say what is going to make the lives of working families in this country better, safer and easier. I do ask that question first before I ask about anyone else anywhere else. And I think we've come up with an answer to that question that serves the common interest as well as the national interest. But yeah, I'm going to look out for the national interest and for that, you know, the needs of the middle class here in the United States.

WESSEL: Thanks. I want to turn to the audience. Why don't we start here. If you could introduce yourself.

ATKINSON: Hi, Jake, Caroline Atkinson.

SULLIVAN: Caroline.

ATKINSON: You talked a lot about the importance of jobs and getting rid of inequality. On inequality, of course, I completely agree. But these steps that you've laid out are probably less effective than extending the child tax credit or doing other domestic policies that have nothing to do with building. And on the jobs at the moment, we actually have a lot of jobs. We don't have a shortage of jobs. We have a shortage of workers and we have high inflation. And a lot of the measures of holding out goods that are produced elsewhere exacerbate the inflation problem and don't help us to do jobs. So I'm interested in your response to that. Thanks.

SULLIVAN: Well, first, I think that to have a long term solution to the the question of inequality and the question of inflation, we need to have productive sources of growth in this country that are sustainable over the long term. So this is not just about a solution for the next year when unemployment is where it is. It's a, it's a solution for the next 50 years. When making these kinds of investments, in my view, are going to put this in economy, this economy in a position where we can generate more productivity and more innovation because we are not fully outsourcing our industrial capacity. So that's point one.

Point two is that at the end of the day, we can't just measure how many people have a job. We also have to look at the quality and character of those jobs as well. And I think that can be improved upon by the kinds of investments we're talking about. And then point number three is, I 100% agree with you. And in fact, in my speech, I talked about the need for a social safety net, the need for stronger protections for workers and collective bargaining rights, the need for us to make sure that we are pursuing the kinds of policies that are embedded in the Biden economic agenda so that at the end of the day, we have the kind of basic social infrastructure from care to education and on down the line. I don't see anything inconsistent with that and making sure that we are doing this.

But when I look at our international economic policy, it seems to me that this core concept of building is fundamental and connected to what a very important thing we are doing here at home is. The modern industrial strategy is not the totality of the Biden administration's economic economic policy, as you know. What he has done for the Affordable Care Act, what he has done for child poverty, what he has done for the care economy. These are equally important to making sure that the domestic compact is solid. But in my job as national security adviser, in addition to cheerleading and advocating those positions, I have to think about how we take what is the element of our domestic strategy that gets the most attention overseas, which is you're putting all this money into all of these things. How does that relate to me? What does that do for me? Whether you're in Europe or you're in Asia or Africa or Latin America, and try to cohere that. That's why in my remarks, you saw more of an emphasis on the issue of our investments than you did on the social safety net side of things. But the building an economy from the bottom up and the middle out, as the president has talked about, is fundamentally about both of those things.

WESSEL: Thanks. Dan.

YERGIN: Thank you. Dan Yergin. Jake, one of the takeaways from your speech is that strategic, strategic minerals is where national security, national policy, economic policy and energy policy all come together. It's pretty challenging for the work, by the way, in strategic minerals to your list, I would add, important to add copper, which is the mineral of electrification. But but it takes 16 to 20 years to open a tier one mine. You pointed out 90% of processing I think was the number is in, is processed in China. Just can you elaborate a little bit more your thinking about how to deal with something that involves these amount of lead times? And we've just seen Chile nationalize part of its lithium business.

SULLIVAN: Yeah, I think there are actually two issues. One is how do you just bring overall more capacity online, rapidly, more rocks out of the ground. The second challenge is how do you deal with the fact that these are incredibly turbulent markets where prices go up and come down quite radically and you see prices falling off a cliff even at a moment when there are massive investments because of dislocations in just the basic critical minerals market. So we have to address both of these. On the question of trying to find ways to incentivize getting more rocks out of the ground, a lot of that is going to turn on the kind of steps that we are taking, for example, with our negotiations with the European Union and Japan, and then thinking about how do we do similar kinds of things with the major critical mineral-producing states. Now, this raises a couple of hard questions. One is the labor practices in those countries. And the second is how we relate our climate goals to our broader environmental goals. And I would just argue, I would make the case that fundamentally we need to have a deep conversation with American organized labor at the table about how actually getting into critical minerals type agreements with countries in Africa or Southeast Asia or the Americas -- you mentioned Chile -- is important in order to realize the kind of industrial outcomes we are looking for here in the United States. That's something we're going to have to work through, and that that is a huge challenge. Then there is the question of market incentives. The IRA produces a lot of incentives to generate more, but it is insufficient. We are going to have to take further steps to try to find ways to both smooth the markets and to get more minerals onto the market, given the gap between what we have right now and what we are going to need if we're going to realize our objectives. For that, I think we are ultimately going to have to think about a larger conversation of both critical mineral-producing countries and then clean energy technology-producing countries. What exact shape that takes, whether it's a critical minerals club, as some have talked about, whether it's building out 30-D type arrangements, whether it's a fuller negotiation of some kind, whether it's taking the Minerals Security Partnership that we've already launched and building it out. We are now in the thick of trying to figure that out. I, it's a hard problem because it has all of these different layers to it. And there is a reason why, you know, people hear about just the the call for more mining, more mining and think, wow, I don't feel great about that. And there's a reason for that. But on the other hand, there are just certain realities that you have laid out in your remarks that we're going to have to contend with. So it's something we think a lot about with my colleagues, with Ambassador Tai, Secretary Yellen, Secretary Raimondo, as well as Lael Brainard and others. And we are trying to work through that in inside the Biden administration and then work effectively with stakeholders on the Hill, in labor, in the business community and of course the major offtakers, as well as working with the key international partners on it.

WESSEL: One more to the gentleman here.

ULLMAN: Thank you. I'm Harlan Ullman with the Atlantic Council. Thank you for your comments. My question is your follow-on speech that you're going to have to make about how do you make this work? As you know, during COVID, an obscene amount of money was wasted, disappeared. So how do you guarantee to the American public that there's somebody in charge coordinating all these parts, that you're providing the proper oversight, that this money is going to be well spent and it's going to become effective at a time when there are members of the opposition who want you to fail. Tell me how this works.

SULLIVAN: Yeah. So a couple of things on this front. The first is that the way the Biden administration has thought about these major pieces of legislation is that there is an ultimately accountable senior official who is specifically charged with implementation. In the case of the bipartisan infrastructure law, that's Mitch Landrieu. In the case of the Inflation Reduction Act, that's John Podesta. In the case of the CHIPS and Science Act, it's Secretary Raimondo. And so there is a person at the end of the day who wakes up in the morning and goes to sleep at night thinking about how do you actually run an accountable, effective and meaningful implementation of these programs that ensure speed while also ensuring accountability? I acknowledge this is very difficult, and I mentioned in my speech, maybe a little too elliptically towards the end, the problem of the kinds of barriers that have come into place, not just in this country, but in other countries that have robbed us of the ability to move fast. And part of that is policy. Part of that is politics. To your point of people wanting to find whatever little thing, let's say that didn't go 100% right. Nothing goes 100% right in the market. Nothing's going to go 100% right in public investment. The question we have to ask ourselves is, can we pull together on a bipartisan basis in the country and say we have no choice but to make these investments at this scale and we are going to have to acknowledge that as we do so, we have to achieve a level of meaningful accountability. But perfection in in the deployment of everything is going to be difficult. I am hopeful that we can overcome the politics of that, and I would advocate for that because I think our national security depends on it as well as our economic growth. But the combination of policy and political obstacles here, we're aware of them. It's why when the president passed these laws, he didn't just say, okay, I've got them done now let's put them on autopilot. He actually built entire implementation ecosystems led by talented senior officials in each case to get after these challenges. And it's why all of this is being done in a constant dialogue with with both parties and both houses of Congress so that they feel continually invested, even though they passed the bills, that they have to keep working this as we go forward.

WESSEL: I think we have time for one more quick one. Antoine?

VAN AGTMAEL: Antonine van Agtmael, trustee. Thank you for giving us a really thoughtful and credible and much needed, I think, framework to think about all of this. It still left me with two questions. First question is you talk about a very narrow slice, but how do you keep that slice narrow when we're talking not just about semiconductors but A.I., nuclear fusion, 5G, etc.? Doesn't sound so easy and it has to be narrow to be credible, I think. Second question is there to seem to be a bit of an inherent contradiction in what you said. On the one hand, we need our allies for making this possible. On the other hand, it's unavoidable that you're going to hurt -- I mean, ASML, you know the examples -- that you're going to hurt some in just the allies that that we need so much. So how are you going to give them or have you thought about the incentives you can give those countries that often have been more successful in exporting to China than we have been and feel that we are now helping or hurting them to compete?

SULLIVAN: Look, this is the core of the conversation that we're having, particularly with our European partners, but also with Japan, with President Yoon of the ROK who was just here yesterday. And the two questions in a way, are kind of related. And I guess one way I think about answering is, in the pure military context of NATO we talk about burden-sharing, but that's easily defined as how much of your GDP are you spending on defense and how much of your defense budget are you spending on major military systems? The 2% and 20% requirement. Burden-sharing when it comes to taking some economic hit to protect your national security is harder to quantify and then harder to implement. But it's the fundamental concept that is what makes alliances function effectively. And we have enough muscle memory, in my view, and enough trust between this president who has invested deeply in allies and our core allies in Europe, in the Indo-Pacific and elsewhere, to be able to have that conversation in a way that produces good outcomes. I think we have done so. We have proven this concept out in the semiconductor space quite effectively, and we can do so in others as well. It's not going to be a one size fits all approach, but it's going to be on the core concept that you cannot ask a country to just take all the hit for the collective national security. You need to share the burden effectively. On the question of what to do about, and it connects to this earlier difficulty around, you know, dual-use technologies in a system that has civil-military fusion. This is fundamentally a challenge. From our perspective, we believe that we can, by being very precise and methodical and detailed, actually effectively draw lines. And if you look at the October 7th export controls, this was not a five-sentence executive order saying generally we're going to do the high-end stuff. I mean, it was down to the tool, with incredible specificity, and incredible rigor. Now, does that mean that there aren't going to be judgment calls and contestability? Of course there is. And then the other piece of it that I think is really important is because we are seeking to do this with allies and partners -- not always exactly at the same time, in the semiconductor case, we went first -- that conversation has its own kind of bounding, its own way of placing some brakes on rushing forward with expanding the yard so broadly that it ends up swallowing the entire field. But I cannot give you, and I don't think it's a contradiction, I think it's just the, you know, a hazard of, an occupational hazard of dealing with technology and national security in the modern environment. And at the end of the day, through practice, through refinement, through consultation and through rigor, I think we can continue to maintain a small yard, continue to refine a high fence and look at the very hard questions, for example, in the AI context of what the difference is between a deeply military application of AI and something with a much kind of broader commercial use and how you you slice the salami on that.

WESSEL: So thank you, Jake, for taking so those questions and for such an expansive set of remarks, which I think will be well studied. And thank you all for coming. I have one favor to ask if you could just stay in your seats until Mr. Sullivan leaves, that would make the security people happier. We want them to come back and so forth. So thank you.

SULLIVAN: Thank you all.