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FIGHTING for PENNSYLVANIA FAMILIES

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## Senator Casey Outlines China Policy that Begins with Investments in American Workers and Children

**Washington, D.C.** - Today, in remarks at the Economic Policy Institute, U.S. Senator Bob Casey (D-PA), a member of the Senate Intelligence and Finance Committees, outlines a new policy on China that begins with investments in U.S. workers and children. The full text as prepared for delivery is below:

Prepared for Delivery

### Promoting a New China Policy that Invests in America

US. Senator Bob Casey  
Presented at the Economic Policy Institute  
Washington, D.C.

April 30, 2021

The Economic Policy Institute (EPI) has been at the center of the fight for justice and fairness for over three decades. EPI has always put the needs of workers first and has questioned corporate policies that undermine workers. As we emerge from the COVID-19 pandemic and an ongoing economic crisis, I believe the United States is at an inflection point in history.

At home, we are working to address the racial justice crisis, which has gone on for far too long. Globally, we are in a new era of great power competition between our Nation and the Chinese Communist Party. In order for our workers to win this

competition, we must take an all-inclusive approach to our domestic and foreign policy to make fair competition the driving principle. We must ensure our workers have the tools necessary to win this competition. But we must also be clear eyed about the challenge. We are in competition with a communist government.

The reason our workers and our firms face challenges is not because we were out-hustled or out-innovated by China, as some contend, but because firms in China have explicit state backing. The Chinese government restricts access to their market and steals our technology for the benefit of their industries. The Chinese government, the Chinese Communist Party, plays by different rules. Some argue that China builds things faster and better than we can. Not true. The structures they build are not built to last.

As we approach a future of competition with the Chinese Communist Party, we hold no animus towards the people of China or Chinese Americans who enrich and helped build our country.

For the last few decades too many working Americans have not been able to get ahead, and believe that their children's lives will be worse. Multinational corporations and the super-rich have benefited from a rigged tax code while the workers who produce that corporate wealth, suffer. The American promise of opportunity for all has increasingly been only opportunity for the wealthy and well-connected.

President Biden is taking critical steps through the American Rescue Plan, the American Jobs Plan and the American Families Plan to enhance our competitiveness and support workers, small businesses, and families across the country. We have a long way to go, but the investments from these bills are critical to ensure that all Americans can benefit as we recover from the pandemic, that all families can be financially secure, and that unions, which built our middle class, are front and center in the American recovery.

In order to lead the world in a more democratic direction, we must insist that the power of people to shape their future at the ballot box also includes economic power. Democracies cannot endure without policies that empower workers and invest in children. To achieve economic growth that makes fairness and social justice a reality, the worker must be at the center of our agenda for change. The worker drives the growth and, therefore, our Nation has a stake in that worker's health, skills and economic security.

As business has achieved a larger but less fair share of the pie, both at home and abroad, American standing, stability and security have been compromised. We know our workers and businesses can outcompete anyone in the world if the playing field is level. The United States thrives on competition. However, non-market economies, like China, are working to recreate the global economic system in a manner that advantages their communist, mercantilist system, at the expense of American workers.

The United States needs a sustained and coordinated strategy to address the threat posed by the Chinese Communist Party. And the United States should work with our

allies to execute it. This is not a problem unique to the United States, there is no need to treat it as such.

If core democratic principles of fair competition are going to survive, we must (1) consider and evaluate the necessary changes to our trade policies to institute a system that supports our National objectives; (2) build alliances to support fair competition across Nations and (3) deploy a comprehensive and coordinated strategy to address the ways countries and companies exploit the global economic system to take advantage of workers.

The Chinese government views as concessions what we consider necessary conditions to participate in the global economic system.

If we are going to confront China and prevent the export of its economic model, the United States must support (1) fair terms of trade; (2) fair competition and economic conditions; (3) fair labor standards and workers' rights; (4) protection of our national security interests and critical capabilities and (5) policies that invest in our Nation's children and communities.

## I. FAIR TERMS OF TRADE

The current structure of the international trade system must change if it is going to support competition, resiliency, workers and our security interests.

Let's take the Trans-Pacific Partnership as an example. There are many in the foreign policy community who continue to believe leaving the TPP was a huge mistake. They're wrong, but not because the stated objectives of the agreement were wrong. Rather, the rules of the agreement did not support the stated objectives. TPP, as written, would have allowed, on average, over 50% of originating content to come from China, thereby further enmeshing U.S. supply chains with the authoritarian Chinese government.<sup>[1]</sup>

Fair competition is a core American economic value. As our new USTR Katherine Tai has said "meeting this moment will require us all to have an open mind and embrace the tremendous possibilities that can come from thinking outside the box. It means looking at old problems in new ways."<sup>[2]</sup>

This will require developing and deploying a comprehensive and coordinated strategy to address the ways countries and companies take advantage of the global economic system — from exploitation of workers and polluting the global commons, to cyber-based espionage, forced technology transfer and theft of intellectual property.

To address these challenges we must (1) update and enhance rules of origin; (2) work with allies to align action on trade safeguards and (3) address the emerging threat of extraterritorial censorship by the Chinese government.

(1) Rules of Origin for Non-Market Economies: With respect to the structure of our trade agreements, half of content can originate from China and still enter into the U.S. through an FTA. That's not right.

In the context of the TPP, rather than aligning an economic bloc to counter China, it would have further intertwined U.S. supply chains with those of the Chinese government. Any future trade agreement must include a supplemental rule of origin for non-market economies. This means countries, like China, cannot free ride on trade agreements anymore. The Market Economy Sourcing Act - [S. 4008](#)<sup>[3]</sup> does just that. The U.S. also should consider adopting similar measures, with respect to Buy America and Buy American policies.

(2) Coordination and Reciprocity with Allies on Trade Safeguards: Under our current trade safeguard measures, the United States has the ability to protect the domestic market from dumped and subsidized goods, but we don't have the necessary tools to protect our exporters when they compete against dumped goods in foreign markets.

The impact of subsidies don't stop at the water's edge. We should consider working with allies to create a common defense against illegal subsidies from non-market economies, like China. This could mean establishing reciprocal remedies against trade distortions (such as illegal subsidies). Measures could be limited in scope, such as AD/CVDs on goods from non-market economies. We must work with our allies to better protect manufacturer's ability to retain market access abroad in the face of illegal subsidies. The United States must also continue to work with allies to address the pernicious threat of overcapacity.

(3) Address Extraterritorial Censorship by China: We have seen the Chinese government act in an increasingly assertive manner with respect to extraterritorial censorship.

Senator Cornyn and I held a [hearing on censorship](#)<sup>[4]</sup> as a nontariff barrier to trade last year and the issue has only gotten worse since then. At our request, the International Trade Commission is undertaking a [study on extraterritorial censorship](#),<sup>[5]</sup> but we must also consider providing USTR with enhanced tools to address these issues. Measures could include disclosure of censorship requests by non-market economies backed by strong responses on the part of the Federal government.

This is a concern for our firms as well as our allies. In March, the EU, UK and Canada joined the United States in imposing sanctions on Chinese officials related to Xinjiang abuses.<sup>[6]</sup> Meanwhile, China is using its market access as a weapon against Australia, a key ally and Five Eyes partner. To that end, I fully support the Administration's clear and repeated articulation of their support for Australia. <sup>[7]</sup>

The Chinese Communist Party dictates virtually everything that enters its market. These actions are part of a broader effort by the Chinese government to reform the global economic and social environment in a manner more consistent with its authoritarian system.

## II. FAIR COMPETITION AND ECONOMIC CONDITIONS

The current global trading system allows countries like China to cheat, largely with impunity.

Pennsylvania knows all too well what may be in store for states and communities across the country if we don't address the systemic threat that the Chinese government's economic agenda presents. Over the past several decades the Chinese Communist Party has expanded subsidies for steel, aluminum, transportation and other critical infrastructure, thereby cornering the market through state-directed investments. And now we are seeing the same playbook for emerging technologies like AI, semiconductors, biotech and robotics. [\[8\]](#)

Pennsylvania suffered record manufacturing job losses over the last generation. According to EPI, China cost the United States 3.7 million U.S. jobs between 2001 and 2018. 2.8 million jobs —three-fourths of the total jobs lost in this time period— were in manufacturing. [\[9\]](#) 137,300 of those jobs were in Pennsylvania.

Jobs numbers alone provide little insight into the family and community trauma that ravaged many small towns.

That is why we must continue to support our domestic steel and aluminum industry and work with our allies to prevent the Chinese government from stealing our future – either by stealing our intellectual property, or by manipulating its currency or by pushing our manufacturers out of business by dumping cheap products in our country.

The threats to a fair global economic system exist everywhere. They come from abroad and right here at home. The 2017 Republican tax bill creates an incentive to offshore jobs and manufacturing. The Chinese Communist Party entices firms with subsidies and the promise of cheap labor only to steal industrial secrets and drive competitors out of business with cheap goods. Fair competition starts at home by ensuring firms *making-it* in America aren't disadvantaged against large multinational corporations that ship jobs and production offshore. And countries that cheat on trade, like China, must be held to account.

We must:

- (1) Retain the current 232 and 301 tariffs while undertaking a full scale evaluation of our international trade and economic policies and posture.
- (2) Strengthen Buy America procurement requirements and establish supplemental rules of origin for non-market economies. If we don't make something in the United States, we should be buying it from our allies who share our high standards.
- (3) Update procurement contracts and reporting requirements related to disclosure of the country of origin for products used to fulfill these contracts.

- (4) Include Labor Standards in a “Buy Clean” Framework: We must ensure strong labor standards are included in any “Buy Clean” framework. The objective of reducing domestic and global climate pollution and improving sustainability across supply chains is hollow if workers are exploited in the process.

While discussions on a buy clean framework continues, we should consider establishing a tiered national-level reporting structure for labor rights and conditions. Countries with high labor standards, Tier 1 countries, like the U.S. the UK and EU, would be presumed in compliance. Production and supply chains coming from countries on lower tiers could have enhanced monitoring, inspections and reporting. Inputs and products from Tier 4 countries, those engaging in gross labor violations or human rights abuses, would be barred from eligibility in a “Buy Clean” framework.

### III. PROTECTING OUR NATIONAL SECURITY INTERESTS AND CRITICAL CAPABILITIES

The Chinese Communist Party’s regional and global objectives create direct and indirect economic and security challenges. The United Nations Conference on Trade and Development (UNCTAD) estimates that roughly one-third of global shipping goes through the South China Sea.<sup>[10]</sup> Over half of global trade ships through Asia.<sup>[11]</sup> Efforts by the Chinese Government to control port infrastructure and shipbuilding in the region and globally, through the Belt and Road Initiative (BRI) should be an alarm bell for all of us. BRI is not simply about ports or railroads, or creating projects to absorb their overcapacity, it is about influence.

At the same time, the COVID pandemic and increasing tension in the Indo-Pacific region is exposing cracks in the Chinese model of doing business. Countries are recognizing the drawbacks of the Chinese government’s BRI. Initially enticed by major investments in infrastructure, developing countries are recognizing the unsustainable debt burden brought on by BRI and are now looking to the IMF and other international institutions for relief.

China’s human rights record is also under increased scrutiny. When forced labor is the floor, no worker can compete. And the Chinese government has made no secret of its actions on that front. The genocide in Xinjiang is shedding new light on forced labor as a major part of its agenda that flouts human rights. Everywhere you turn, the Chinese government is weaponizing its institutions to suppress dissent and democracy in order to better control resources, control water and control factors of production. This includes the Chinese government’s continued repression and [torture of the Tibetan people](#), as well as its efforts to tamp down democratic aspirations in Hong Kong.<sup>[12]</sup>

Across sectors – defense, trade, development – the Chinese government’s malign agenda is being exposed and coming under increasing scrutiny. The Chinese Communist Party’s lack of values-driven governance is a vulnerability.

China’s broader military ambitions are also necessary considerations in the trade and economic sphere because the Chinese government’s growth agenda blurs the

lines between its economic and defense sectors via its “civil-military fusion” approach. The Chinese government’s investment in, and theft of, technology and innovation supports the expansion of its security posture through development of surveillance technology, nuclear powered submarines and products across the commercial spectrum. This means the Chinese government doesn’t view competition strictly through the lens of dollars and cents. When Chinese firms and state sponsored enterprises compete against America’s, it is done so with broader objectives in mind, including those of their military.

Manufacturing is core to our future economic competitiveness. In the United States, manufacturing represents about 11 percent of GDP, but is responsible for 70 percent of R&D, according to analysis from McKinsey.<sup>[13]</sup> Manufacturing drives innovation. When you lose manufacturing you lose innovation. Countries that don’t make things don’t endure.

We have seen all too clearly the cost of relying on China, a non-market economy, for our Nation’s critical capabilities. Worse still, we have very little visibility on what other vulnerabilities may exist with respect to production dependencies in other sectors.

We must:

- (1) Engage in a comprehensive and ongoing review of critical supply chains and capacities to gain visibility on vulnerable supply chains.
- (2) Establish an outbound investment review mechanism to ensure we are not losing critical capacities to foreign adversaries.

The administration is currently embarking on a comprehensive supply chain review for critical capacities. This is action I proposed in the [America LEADS ACT](#), last year’s Democratic proposal on competitiveness.<sup>[14]</sup> The Senate is now undertaking a bipartisan effort across several committees of jurisdiction – including the Foreign Relations, Commerce and Finance Committees – to tackle the competitiveness challenge head on. In the coming weeks, we hope this effort will culminate in a comprehensive, bipartisan Senate-wide China competitiveness package that will task the U.S. government with meeting the China challenge. Ensuring our critical supply chains are secure and taking remedial action against vulnerabilities is an essential element of this effort.

#### IV. FAIR LABOR CONDITIONS AND WORKER RIGHTS

All workers should have the right to equal protection under the law, to join a union and freedom of association, and to earn a wage that allows them to provide for themselves and their families. No worker should fear violence and harassment. Our trade policies must support and uphold these rights for workers everywhere. In many countries, laws restrict women’s rights to own property, to inheritance, to divorce, to child custody, to open a bank account, and equal access to an education.



The Chinese government thrives on the repression and exploitation of people—both its own citizens and those around the world. Equal protection under law, regardless of gender, is a fundamental human right. The advancement of women's rights and economic empowerment is not simply a matter of human rights. It is a matter of economics, and global security.

Dr. Valerie Hudson, a professor at Texas A&M, just released a book titled [The First Political Order](#) which analyzes comprehensive empirical data on the status of women around the world. Dr. Hudson documents how discrimination against women has significant consequences for a society, with worse outcomes for: conflict, stability, economic performance, governance, and food security.

To advance the rights of women globally we must:

(1) Modernize the Generalized System of Preferences (GSP): Modernizing and strengthening standards within GSP, should include adding standards on human rights, women's rights and economic empowerment, non-discrimination and violence and harassment in the workplace. Legislation I authored, the Women's Economic Empowerment in Trade Act or [S. 4008](#), would do just that.<sup>[15]</sup>

(2) Incorporate the Rights of Women as Core US Trade Policy Objective:<sup>[16]</sup>  
USTR Tai has committed to making the advancement of the rights of women a core U.S. trade policy objective at USTR during her confirmation hearing.<sup>[17]</sup> I look forward to working with USTR on that effort.

We must also engage in a way that invests in the American workforce and industry and reestablishes standards for pay, conditions of work and benefits that reflects our values as a Nation and places the conditions for fair competition and workers at the helm of the global economy.

#### V. Investing in our Nation's Children And communities

We cannot simply look outwardly to address the challenges posed by China. We must also have the economic and structural conditions at home to win the future. And that requires significant investment and a long term commitment in our workers, in infrastructure, in our communities and in our most precious resource, our children. One in seven of our children are growing up in poverty.<sup>[18]</sup> That's almost 11 million kids. A Nation cannot continue to prosper if one out of seven of its young brains are not provided the opportunity to develop and succeed. While aptitude is distributed universally, opportunity is not.

If some of our best and brightest, some of our creative thinkers aren't able to achieve their full potential because they grow up in poverty, we all pay. We all pay when our Nation's children don't reach their full potential.

The worker drives growth and it all starts with children, before they are born. We must build an American compact before and after birth. The first is a guarantee of a healthy birth and the second is a guarantee of a healthy start.



A healthy birth for every child requires:

1. Access to family planning for women so they can time their pregnancies;
2. Comprehensive prenatal care; and
3. Universal health coverage to address poor health outcomes including, maternal mortality rates.

In 2020, I proposed what I called the “[Five Freedoms for America’s Children](#)” – the freedom to be healthy; the freedom to be economically secure; the freedom to learn; the freedom from hunger and the freedom to be safe from harm.<sup>[19]</sup> These are the fundamental conditions necessary for a healthy start for every child. By investing these resources in our children, we will lay a foundation for economic growth that rivals the world. At the same time, our Nation must focus on the urgent work of helping the workers of today and the communities where they live.

When a community experiences a large job loss or is undergoing industry transition, it can have devastating impacts on the entire region. We must enact automatic economic and fiscal stabilizers to support regions through these challenging times.<sup>[20]</sup> By [establishing assistance](#) that turns on at the outset of an economic shock, we can avoid much of the economic pain communities often experience. Supporting the tax base, local businesses, schools, workers, and preventing the hollowing out of towns we’ve seen all too often.

In supporting communities and workers it is also essential that we protect workers’ ability to collectively bargain and reverse the steady erosion of individuals’ rights in the workplace. Researchers, like MIT Professor Zeynep Ton, are showing us that there are other ways forward. Investing in employees pays off.<sup>[21]</sup> This research affirms what we have known for a century: when companies invest in their workers and when workers are empowered to bargain for salary and compensation, everyone is better off, and EPI has led the way on that research.<sup>[22]</sup>

We must fight back against the relentless attacks on unions in this country and halt the proliferation of practices like forced arbitration and non-compete agreements that strip workers of their ability to challenge discrimination and unfair labor practices. We must ensure we “build back better”; that no workers are left behind as technological changes and automation may upend large sectors of our economy, and make sure that workers aren’t cast out as “digital day laborers”, without rights or recourse. We must support working parents through access to quality affordable childcare and by making the improvements to the [Child and Dependent Care Tax Credit](#) permanent.<sup>[23]</sup>

The International Labour Organization began with a recognition that “universal and lasting peace can be accomplished only if it is based on social justice” and that humane conditions of labor were essential to bringing about justice.<sup>[24]</sup> The worker must be at the center of our agenda for change. To advance fairness and justice, freedom, security and human dignity.

America is strong when our workers are strong and economically secure. America is strong when our communities are strong. American is strong when we can provide for the least among us and when parents don't worry about lead poisoning the water their children drink.

America is strong when our alliances are strong and based on shared democratic values. America is strong when our domestic and foreign policy vision is grounded in democratic values, supporting workers, the middle class and those striving to lift themselves into the middle class.

This is a great task, one that is worthy of a great Nation.

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