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UNITED WE STAND: STRATEGIES TO COUNTER PRC

ECONOMIC COERCION AGAINST DEMOCRACIES

Wednesday, July 23, 2025

House of Representatives,

Select Committee on the Strategic Competition between the

United States and the Chinese Communist Party,

Washington, D.C.

The committee met, pursuant to call, at 10:05 a.m., in Room 210, Cannon House Office Building, Hon. John Moolenaar [chairman of the committee] presiding.

Chairman Moolenaar. The select committee will come to order. We are going to be having members joining us at different points in this morning's hearing. But I want to welcome our witnesses.

Former Prime Minister of Australia, the Honorable Scott Morrison, and former U.S. Ambassador to Japan, the Honorable Rahm Emanuel. It is great to have you both with us.

And, Ambassador Emanuel, I want to thank you for your hospitality when we came and visited Japan, and you served in that role as Ambassador, and we appreciate all you did to help the committee understand the issues relative to Japan. It is also very rare for a former head of government to appear before Congress, not as a ceremonial guest but as a witness. And, Mr. Morrison, your presence underscores both the seriousness of this issue and the strength of the U.S.- Australia alliance.

We are here today to address one of the most urgent threats we face in the 21st century. People's Republic of China, economic coercion of other countries. China uses market access as leverage, employing tariffs, regulatory blockades, and diplomatic intimidation to target democratic nations that speak up for human rights or national sovereignty. These are not isolated acts. They are part of a coherent strategy. And, for too long, we treated China's rise as an economic opportunity detached from the party's geopolitical ambitions. But today it is clear, as trade between the CCP and the free world has grown, so has its appetite for economic leverage and control.

And, when Mr. Morrison's government called for independent inquiry into COVID origins, Beijing didn't argue; it retaliated -- with tariffs on wine and barley, with bans on lobster and coal, with a list of 14 political demands made clear what the CCP wanted: submission. Lithuania opened a Taiwan office. China launched an embargo. South Korea deployed a U.S. missile defense system. Beijing shut down factories and blocked

exports. Norway awarded a dissident a Nobel Peace Prize. China responded with salmon bans and frozen diplomacy. These weren't policy disputes; they were sovereignty violations. In each case, the message from Beijing was clear: We will control your behavior through your economy.

Xi Jinping has said himself: China must tighten international production chain dependence on China to form a powerful countermeasure and deterrent capability. That's not economic development; that's a blueprint for coercion.

But democracies have a choice. We can allow fear of retaliation to define our foreign policy, or we can build the tools and coalitions to fight back. That begins with moral clarity. Our values, free speech, rule of law, and national sovereignty are not bargaining chips. They are non-negotiable.

It also requires a whole-of-society response. We must leverage statecraft, such as trade tools, export controls, and investment guarantees to support allies under pressure. We need to reindustrialize our own defense manufacturing base, reshore or friend-shore our production of critical inputs, and build international coalitions that reduce dependency because the next round of coercion won't wait until we are ready. It will come when we are weakest.

We also need to remember that China's coercion is not just about trade. It reaches into our own societies and attacks our core values, targeting diaspora communities, leveraging propaganda, and exploiting our open systems to create doubt, sow division, and instill fear. That is not a problem for law enforcement alone. It is a challenge to democratic cohesion.

And, finally, we must double down on the efforts that Beijing fears the most, including AUKUS, the Quad, and deeper Indo-Pacific coordination with our friends. The CCP wants to isolate the United States from our allies. Our answer must be unity and

collective economic resilience to Beijing's bullying.

Economic coercion is not a phase of Chinese foreign policy. It is the logical and inevitable conclusion of the Chinese Communist Party's world view. And, ominously, it is a warning of what is to come if we fail to meet the CCP's challenge. It is time for the free world to stand together. Thank you.

And, with that, I would like to recognize our Ranking Member Raja Krishnamoorthi for his opening statement.

[The statement of Chairman Moolenaar follows:]

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Mr. Krishnamoorthi. Thank you, Mr. Chair. If I can just turn this on. Sorry. CCP is at it -- again, thank you, Mr. Chair. I would like to address three things: One, how the CCP has attempted to coerce the U.S. and our global partners; two, some of our current vulnerabilities to the CCP coercion; and, three, how we can combat such coercion.

Today, we confront a truth that is hiding in plain sight: The CCP is not just building an economy; it is building leverage. It has turned globalization into a trap and has weaponized interdependence. The CCP has a track record of using its state-controlled levers to target the U.S., our allies, and anyone who dares to defy political will of the CCP.

The CCP does not view its economic tools as democracies do. Instead of using these tools to uphold freedom, democracy, and human rights, the CCP wields its powers to punish free speech, bend the democratic nations to the CCP's will, and gain even more leverage. First, let's take a look at how the CCP has used the coercion playbook across the globe. The chairman mentioned Australia. He mentioned Lithuania, but, in Norway, they were targeted after the Nobel Peace Prize was awarded to a Chinese dissident. Japan was blocked from rare earth exports after a territorial dispute in the East China Sea. And the list goes on and on.

This brings me to my second point, America's own vulnerabilities to coercion from China. From our medicines to ships to drones, we are dangerously reliant on China.

But, today, I want to focus on rare earth elements. America relies on China for over 80 percent -- 80 percent -- of its rare earth processing. The PRC developed this control over decades of careful planning and execution.

[Chart shown.]

Mr. Krishnamoorthi. In 1992, then Chinese Leader Deng Xiaoping famously said, "The Middle East has oil; China has rare earths."

Let's look at why rare earths are so important. They are in something we take for granted everyday -- namely, rare earth magnets. And I have one in my hand. China produces 90 percent of the world's rare earth magnets. And how does that work? Well, I have something here. This is a simple motor that spins because of rare earth magnets. But it is not just in this gadget; it is in everyday items, including this toothbrush and even this drill. It is basically in everything you can possibly think of. These rare earth magnets power almost all items that involve motors in our daily lives.

Unfortunately, the fact of the matter is, when China decides to cut off these rare earth elements, the motors stop, and our economy comes screeching to a halt. And that is what just happened recently. After President Trump announced a slew of tariffs, the PRC retaliated and blocked a raft of rare earth element exports, including the ones that go into these particular important magnets. The sudden export control set off alarm bells for American businesses, workers, and consumers who would be the ones to eventually pay the price for shortages. Ford even announced that the rare earth shortage forced that they shut a factory in our hometown, Ambassador, of Chicago.

China can so much as flip a switch and cause major damage to the American economy. That is why, this morning, I am sending this letter, Mr. Chair, to the Commerce Department asking what they are doing to ensure that China holds up their end of the recent deal on rare earth exports. I am also sending another letter, Mr. Chair, to the State Department urging them to work with our allies and partners to diversify our worldwide critical mineral supply chains.

This brings me to my final point. We must answer CCP coercion with resolve, unity, and resilience. That means building a collective defense among the democratic nations against coercion. It means investing at home and diversifying our supply chains. And it means imposing costs, not just unilateral tariffs or sanctions but coordinated

responses that make clear, "If you attempt to coerce one of us, you will face all of us."

Thank you, and I yield back.

[The statement of Mr. Krishnamoorthi follows:]

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Chairman Moolenaar. Thank you, Ranking Member, and as usual, your visual aids and material that you bring to these hearings is exquisite. So thank you so much.

Mr. Krishnamoorthi. Do you need a toothbrush?

Chairman Moolenaar. I am getting a hint here.

If any other member wishes to submit a statement for the record, without objection, those statements will be added to the record.

Our witnesses today, I want to first start by Mr. Scott Morrison served as Prime Minister of Australia from 2018 to 2022. He has contributed mightily to the defense of the West and our shared values, from the Quad, to AUKUS, and we are incredibly privileged to have him here today. Welcome.

And we are also grateful to be joined by Ambassador Rahm Emanuel, who has served our Nation as the Ambassador to Japan, as mayor of Chicago, in Congress, and as the White House Chief of Staff. Quite a record of service.

Mr. Emanuel. Thank you.

Chairman Moolenaar. As a good Chicagoan, he is known for his mild manner and circumspect tone. We are looking forward to what will no doubt be colorful testimony from him today.

With that, I want to welcome the witnesses and thank them for being here this morning.

Mr. Morrison, you are now recognized for any opening remarks you might like to make.

**STATEMENTS OF THE HONORABLE SCOTT MORRISON, FORMER PRIME MINISTER OF
THE COMMONWEALTH OF AUSTRALIA; AND THE HONORABLE RAHM EMANUEL,
FORMER UNITED STATES AMBASSADOR TO JAPAN.**

STATEMENT OF THE HONORABLE SCOTT MORRISON

Mr. Morrison. Well, thank you very much, Mr. Chairman.

And, to Congressman Krishnamoorthi, also, thank you.

And can I stop by also recognizing the members of committee as well. And thank you for your invitation to be with you here today. It is an honor to join you.

And can I thank you also for the important bipartisan work you do on this committee. I am very familiar with it -- was at the time I served in office -- and not just for the United States but for all U.S. allies and partners around the world.

Australia and the United States are the closest of allies and the best of friends. For over a century, we have stood together in every conflict, making Australia unique amongst U.S. allies around the world.

As longstanding resilient and modern democracies with market-based economies, we believe in a world order that favors freedom, based on fundamental values of universal human rights that respect human dignity, the rule of law, open and fair trade, freedom of religion, speech, association, and thought, and transparent representative governance. While sincerely holding such beliefs, we are also conscious of our imperfections and capable of self-correction through our own democratic processes and the safeguards of transparent and accountable institutions.

While our histories differ, Australia and the United States see the world through a

single lens. It is through that lens that we have both been able to identify the rising threat from authoritarian states who, not content with absolute control over their own populations to preserve their own regimes, also seek hegemonic control over their own regions and to recast the world order to accommodate their illiberal objectives. Most significantly, this involves the subordination of a rule of law based on universal human rights to one arbitrarily defined by the state and to draw an equivalence between their regimes and freedom-based societies.

The Chinese Communist Party, the CCP Government of the People's Republic of China, is such a regime. This will not change, nor can it be negotiated away. Rather than opening up their society during post-Cold War globalization, the CCP used China's newly granted access to global trade, capital markets, and legitimacy in the national forums to build the economic, diplomatic, technological, and military capacity to one day challenge the global order in an attempt to make it more favorable to their regime's security. That day is now.

I appear here today in a private capacity, having previously served as the 30th Prime Minister of Australia from August 2018 to May 2022. And, during that time and in my earlier Cabinet roles, commencing in 2013, I witnessed and experienced firsthand the dramatic escalation of the CCP's regime's assertive and aggressive behavior towards countries in the Indo-Pacific region to achieve their goals. In Australia, this included targeted illegal trade bans and diplomatic estrangement.

In November 2020, the PRC Embassy in Canberra helpfully released to media a list of 14 points of grievance with Australia that set out the grounds for the CCP's coercive and bullying actions. And I table a copy of those points for the committee's information.

The grievances included Australia exercising our sovereignty over foreign investment on national security grounds, making and enforcing laws to curb foreign

influence and espionage, allowing freedom of speech in relation to criticisms of China and our national Parliament and media, and making and supporting national statements in international fora critical of Chinese aggressive behavior in the South China Sea and towards Taiwan and against their own population in Hong Kong and Xinjiang, as well as calling for an independent inquiry into the origins of COVID-19.

I have no doubt that the primary objective of the PRC's targeting of Australia during this time was to make an example of Australia as a key U.S. ally in the region, to punish Australia as a warning to others. I am pleased that our government provided the example of resistance and resilience by standing firm, rather than acquiescence and appeasement.

Throughout this period, we moved to work with our allies and partners in the region to deepen our ties and strengthen our corporation. This included the initiation of AUKUS and, together with India, Japan, and the United States, the establishment of the Quad Leaders dialogue. Both of these measures began under the first Trump administration and were realized by the Biden administration. They also became further points of grievance with the CCP.

After the failure of the CCP's coercive efforts to break our resolve, the PRC took advantage of the change in government following the 2022 Federal election to affect a reset and adopt different tactics. This included abandoning their economic and diplomatic bullying and coercion for more inductive engagement, laced with charm and flattery. That said, the PRC still continues to engage in intimidatory behavior by their military against Australia when it suits them without remorse. While the CCP's tactics might have substantially changed, their objectives remain the same, namely to neutralize public support for Australian Government actions to counter the potential security threat posed by CCP, such as increased defense spending or restricting investment in critical

technologies or sensitive supply chains; to normalize and establish an equivalence between the CCP's authoritarian regime with free societies to provide license for their activities; to weaken the networks of U.S. alliances and partner within the Indo-Pacific that provides an effective deterrent to CCP behavior injurious to a free and open Indo-Pacific, including nonpeaceful absorption of Taiwan and to also isolate U.S. influence in the region.

In conclusion, there are many lessons from our experience. Above all, I would highlight the need to never become casual about the potential threat and to remain vigilant in the same way that the CCP seeks to target our alliances and partnerships. These same relationships must form the core of our shared response.

Strengthening and deepening the networks of U.S. alliances and partners is critical to resilience and deterrence. This is as true in the economic sphere as it is in the security sphere. In this new era of post-globalization strategic rivalry, it is critical that these tracks of national policy are aligned and integrated. It is also true that the U.S. allies and partners must understand that it is in this new environment that more will be required of them in these relationships both individually and collectively, including by Australia in the years ahead. I look forward to your questions and discussing these issues with you further. I am also pleased to be appearing here with Ambassador Emanuel.

[The statement of Mr. Morrison follows:]

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Chairman Moolenaar. Well, thank you very much.

Ambassador Emanuel, you may proceed.

STATEMENT OF THE HONORABLE RAHM EMANUEL

Mr. Emanuel. Thank you, Mr. Chairman, to the ranking member, and the members of the committee. It is an honor to appear before you today. I obviously don't have the eloquence of the Aussie accent or the show and tell of the ranking member, my good friend.

For more than 60 years, the partnership between the United States and Japan has been the cornerstone of both peace and prosperity in the free and open Indo-Pacific. As Ambassador, I sought to deepen our ties and confront our common challenges, none greater than China's most pernicious and persistent tool: economic coercion.

China has made coercion its currency of economic statecraft and retaliation a replacement for negotiation. And where it cannot conquer through division, it chips away through corruption and control.

In 2010, China cut off exports of critical rare earth minerals, as noted earlier, to Japan, hitting Japanese industry and consumers over a dispute involving the Senkaku Islands. After a 2012 confrontation between Manila and Beijing in the South China Sea, China quarantined fruit exports from the Philippines and sent vessels to protect Chinese fishermen and blocking Philippine fishing boats.

In 2016, after Seoul, South Korea, decided to deploy the U.S. THAAD missile system to protect itself from North Korean launches, Beijing orchestrated boycotts by Chinese consumers and tourists, punishing South Korea for acting in its only self-defense.

When Lithuania in 2021 allowed a Taiwanese office to open, China banned all

bilateral trade. China slapped import restrictions on a range of Australian goods -- coal, barley, beef, copper, and wheat -- over Australia's calls for an independent inquiry into the origins of COVID-19 in 2020.

Sometimes China coercion is overt and obvious. Other times, it is covert and conniving. It also exerts softer pressure as it did with the National Basketball Association, which succumbed to Chinese pressure over one team's general manager tweeting support in 2019 for pro-democracy protests in Hong Kong.

More recently, Beijing has refused to export a type of magnet -- as noted by the ranking member's comments -- essential for industrial manufacturers here in the United States. Most dramatically, Ford halted production of certain advanced vehicles, including their facility in the city of Chicago, their oldest plant in the United States.

Our country with the largest economy in the world sits atop many rare earth minerals, vital to our future prosperity. But China has a near monopoly, 90 percent, on the ability to process them. China's coercion and message is not limited in this instance to the American audience alone. It is playing out across the global theater as other nations observe.

Regardless of the method, the message from China is the same: submit or suffer. Beijing exerts economic pressure to achieve its political goals and bend nations to its political will. Their goal is clear: Isolate one to intimidate all. Ours must be to isolate the isolator through an alliance to counter China's coercion.

At the 31st U.S. Ambassador of Japan, I saw up close and clear-eyed how China pursued its geopolitical goals: not through innovation and inspiration but through intimidation and infiltration.

During my time in Tokyo, the Embassy issued an unprecedented report on Chinese coercion to neutralize this tool that Beijing perfected over the last 15 years.

The takeaway: To secure our standing in the 21st century, America and its allies need an anti-coercion coalition to counter China's aggression.

Beijing's bullying is not a foreign policy but an example of a failure of one. Nevertheless, the world's response has been scattered, slow, and too often silent. Continuing on the current course is a recipe for continued coercion. The United States cannot afford to be alone, passive, or partisan in this strategic competition. Cutting off our allies, cutting off our research and development, and treating investments in key industries, like semiconductors, as tradeable are a unilateral disarmament of our strongest advantages as a country.

We must lead a resilient anti-coercion coalition to resist economic intimidation and respond with strength when deterrence fails. It should be based on mutual commitments that are public and reciprocal.

First, as I called in a piece about a year ago in the *The Wall Street Journal*, such a coalition would need the economic equivalent of the North Atlantic Treaty Organization's Article 5 -- an attack on one is an attack on all at its core. Look no further -- farther rather -- than what the EU adopted in the 2023 after Lithuania was coerced by China, an anti-coercion instrument that focuses on deterrence and allows for retaliatory policies of the EU.

Countries should support allies under economic assault with a unified response. Resilience requires a willingness to retaliate and recognizing China's weaknesses and prepared to go after them. I know that you find this surprising that I would advocate. Nations would insulate themselves from China's pressure through collective resilience. That requires leveraging alliances.

When I arrived in Japan, I worked to expand trilateral ties. Today, Tokyo, Washington, and Seoul, as well as Tokyo, Washington, and Manila are not just allies; we

are aligned. We strengthened our economic ties, enhanced our military readiness, and deepened our intelligence sharing.

Second, America cannot self-immolate. The Chinese undoubtedly understand how important intellectual property and advanced research are to their own ambitions. It is a false choice to suggest the U.S. must pick between free markets and government intervention. To maintain our economic sovereignty, we must have both and invest in our advantages: talent from around the world that comes to America, research and development, science, our universities. Surrendering our strengths is self-defeating.

Finally, nations must have our own tools of economic cooperation, which can be used to shore up supply chain resilience. Reshoring without friend-shoring will not succeed. In other words, we must offer victims real relief in real time from China's coercive trade actions, including export credit lines and expedited licensing.

Australia's response to China's coercion is the best example of how to replicate going forward.

And, if I could -- and I know I am past my time -- conclude with one single story. During my tenure in Tokyo, China banned Japanese seafood from its market, citing false concerns about contamination from Fukushima area. As Ambassador and working with the INDOPACOM in Honolulu, our military, we exposed the hypocrisy and coercion with photos of Chinese fishing boats operating in Japanese water fishing, having banned the Japanese fish.

To show the safety of the seafood -- and I know you find it shocking -- but I went swimming and surfing in Fukushima with Members of the Parliament and publicly ate local seafood and vegetables. I also led efforts to have our U.S. military bases purchase Japanese seafood and served it proudly at both the residence of the Ambassador and at the Embassy. I took a number of you also when you visited

shopping at the local Fukushima area in Tokyo. At a very public campaign, China recently abandoned its boycott of Japanese seafood.

Now if I could, if one skinny Ambassador with a big mouth could do that, imagine what countries could achieve together.

Cracking the code of coercion isn't impossible. It takes unity and sustained resolve and respect for our allies. We are in a strategic competition between free nations that innovate and a surveillance state that imitates; between democratic resilience and authoritarian reliance. United, coordinated, and committed, an anti-coercion coalition is the best offense and the best defense against China's campaign of intimidation. Again, thank you very much for this honor to testify today.

[The statement of Mr. Emanuel follows:]

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Chairman Moolenaar. Thank you, Ambassador.

We will now move to 5 minutes of questioning from our committee members. I will begin.

Mr. Morrison, during your time as Prime Minister, China issued a now infamous list of 14 grievances, targeting Australia's domestic laws and sovereign decisions. What should that list tell us about the nature of PRC coercion and the kinds of values it seeks to undermine in democracies?

Mr. Morrison. Well, thank you, Mr. Chairman. I think fundamentally it demonstrates that the CCP fundamentally has a problem with representative democracies. And there is some irreconcilable differences between an authoritarian regime in China, as much as an authoritarian regime in Russia or Iran for that matter, and the activities of free and open states.

Prime Minister Abe -- who the Ambassador knew well and I knew well also -- spoke of a free and open Indo-Pacific -- that is a threat and a challenge to regime security in China. And I think we have to be clear-eyed about this and not pretend that there is somehow that this is going to be resolved through discussion. Discussion is fine. Engagement is good. It is better than the alternative. But, if we think that that is going to produce a change in the mindset in Beijing about what their objectives are, then we are frankly kidding ourselves.

So you work to coexist to avoid conflict. That requires deterrence and a wide-eyed appreciation of what the Chinese state is all about. At every point, even the most moderate of their leaders like Jiang Zemin were very clear about the fact that, even when they entered most favored nation status, they still said amongst to their officials that the West, particularly the United States, is still looking to see us destroy our socialist system. They won't change. So we have to deal with that reality.

Chairman Moolenaar. What advice would you give to leaders of other countries who are facing something like this?

Mr. Morrison. Well, I think first one is to know what you believe in and why your country believes that and know what your red lines are. I mean, those fourteen points of grievances that they tabled, I remember I tabled them at a G-7 meeting in Traverse Bay to all the G-7 leaders. It was a G-7 class meeting. And I asked the simple question, "Which of you would relent on any of these points?" And the answer was none. These are just the simple behaviors of transparent representative democracies with market-based economies. And so know that you believe those things, keep investing in those things, and understand what the red lines are that are produced by holding those beliefs.

The other thing I would say is make sure that you are building your internal resilience to coercion. And that you mentioned in your opening remarks, Mr. Chairman, that a whole-of-system approach is necessary. I completely 100 percent agree. And our response dealt with everything from interference in our political system through ensuring that we kept an open mike for free speech in our Parliament and media and so on. You need to build the internal resilience, and that means an appreciation of the potential threat. And that is somewhat in jeopardy in Australia.

Most recently, the Lowy Institute completed a survey, which for the first time in quite a number of years, there is a greater value on the economic partnership with China than concerns about the security threat. I will tell you all that for the committee: That is an objective of the CCP, that Western democracies will go to sleep on the threat. And that is why I think the work that your committee is doing here, the work -- and I stress the bipartisan work that is done by this committee -- and the Ambassador and I perhaps might disagree on some elements of policy. I am not sure. We will have to have a

beer and find out. But I know one thing, by our statements here today, I think we have sang from the song sheet as indeed you and the ranking member have.

Chairman Moolenaar. Thank you very much.

Ambassador, I would like to follow up on your testimony where you talk about basically an Article 5 economic sort of a collective defense mechanism. Can you talk a little bit more about that idea?

Mr. Emanuel. Sure. Two kind of predicate moments. One is how the EU came to Lithuania's defense, and China realized Europe was bigger than Lithuania, and it was too much.

The second piece is, when the G-7 was held in Japan when I was Ambassador. There was an adoption -- or the first time actually in a communique, a reference to coercion by China in some effort. So you have the two predicates. And then I suppose the third point is -- I do mean this when you look at Korea, you look at Japan, you look at the Philippines, Australia is the best kind of blueprint of what you want to replicate worldwide. They did it on their own. The Prime Minister is much greater at this and more knowledgeable -- basically used their existing trade relations or existing alliances and put them on steroids and really operate. And China realized they couldn't isolate Australia, which is why I call you want to isolate the isolator.

Article 5 is the -- because it basically goes to the exact vulnerability of China's strategy. Their strategy is take an Australia or take a Japan and make an example out of them and everybody just to standby and not only not want to go where Japan is, but let it happen. And then it is not just Japan, but its audience is much larger. If everybody got together and had a collective self-defense, which is what Article 5 would basically indicate, the basic premise of China's coercion unfolds, and it reverberates. In every case -- and I don't want to overplay the role that I play -- but in the ban on

Chinese -- seafood, the ban on Korean products or tourism, the ban on multiple products out of Australia, in end of the day, China through in the towel when everybody could work with either their economic relationships or political strategic relationships so they were not isolated.

The Article 5 builds off of that basic premise. And I think that is what we need right now because we have to eliminate what is -- as I said in opening statement -- is the most persistent and pernicious tool in their economic statecraft.

Chairman Moolenaar. Thank you very much.

Ranking Member Krishnamoorthi.

Mr. Krishnamoorthi. Okay. Thank you, Mr. Chair.

It is such an honor to have such distinguished witnesses today. So thank you so much for coming in.

I don't normally do this, but I brought in a nice bottle of Australian wine. Ever since China banned it in 2020 for Australia calling for a COVID investigation, this wine has been called Freedom Wine.

Mr. Morrison. That is right.

Mr. Krishnamoorthi. And, Prime Minister Morrison, you helped Australia sell a lot of Freedom Wine, right?

Mr. Morrison. I remember Secretary Pompeo sent me a picture with a very similar bottle at the time. Look, at some point, China was going to tire of drinking Wuhan pino, I think, and was going to go back to the better product.

Mr. Krishnamoorthi. Well, what is really fascinating about this is that Taiwan actually coined the term "Freedom Wine."

Mr. Morrison. Yeah.

Mr. Krishnamoorthi. And what is fascinating is that, when you and I visited

Taiwan last year, they served Freedom Wine at the lunch. And that goes to what the Ambassador was talking about, which is when friends and partners band together, they can fight bans by China.

And so what is also interesting is that I also brought something else, Freedom Pineapple Cakes, made by what in Taiwan are called Freedom Pineapples. This is because, after CCP banned Australian wine, you guessed it, they banned Taiwan's pineapples. And, Ambassador Emanuel, after this ban in Japan, sales of Taiwan's pineapples went bananas, right?

Mr. Emanuel. I am waiting for you to hold up some Chicago 312 Beer.

Mr. Krishnamoorthi. It is coming. Unfortunately, Ambassador, Japan was the next target -- and you alluded to this because, after Japan attended a 2023 summit with the U.S. and South Korea here at Camp David, which you attended, China banned all Japanese seafood, citing food safety concerns.

[Chart shown.]

Mr. Krishnamoorthi. But, Mr. Ambassador, here are some pictures of you judging by your --

Mr. Emanuel. There goes our friendship on two of these out of three photos.

Mr. Krishnamoorthi. Judging by these photos, Ambassador, I think you believed that those allegations of safety concerns were completely fabricated, right?

Mr. Emanuel. Correct.

Mr. Krishnamoorthi. It was a complete fabrication because they were just simply trying to hurt; they were trying to hurt the Japanese for doing the right thing.

In my opening remarks, I alluded to this man, Liu Xiaobo, one of China's champions of democracy who won the Nobel Peace Prize while in prison in China. And, in response, the CCP cut ties with Norway where the Nobel Committee is based and

banned Norway's salmon. This seems to be a trend here.

Norway's response to the CCP was this -- Norway said: Norway attaches high importance to China's core interests and will not support actions that undermine them and will do its best to avoid any future damage to bilateral relations.

Now, Ambassador, to me that is not an apology; that is groveling. Wouldn't you say?

Mr. Emanuel. Yes, sir.

Mr. Krishnamoorthi. I think that, Prime Minister Morrison, this is what Beijing wanted you to do after you called for an investigation into COVID. I want to turn to my next topic.

[Chart shown.]

Mr. Krishnamoorthi. In my opening, I had mentioned that China dominates rare earths. In contrast, we only have one rare earth mine in the entire U.S. It is owned by MP Materials, which just recently received nearly half a billion dollars of investments from DOD. This deal will, one, allow MP to make more magnets. These things, which I talked about earlier. And, two, create a 10-year guarantee that DOD will buy MP's rare earths at a floor price, ensuring that MP and hopefully others can compete.

Now, Mr. Ambassador, it feels like the administration and the private sector need to do more of this with regard to going all in and creating our own resilient supply chain domestically. What do you think?

Mr. Emanuel. Mr. Ranking Member, what I would say, sitting here, the short answer is yes. I have advocated this before, and I think we as a country -- and the National Security Council does this. They issue at the beginning of every term a strategic review of the challenges. I think the National Economic Council inside the White House should do the same on economic both opportunities and vulnerabilities, and then be able

to then lay out a blueprint how to, A, ameliorate or reduce your vulnerabilities and how to accentuate your strengths.

And I would note, if I could, in almost every instance, Japan -- in the case of both the Philippines and Australia -- one of China's great vulnerabilities is food. They target other countries' food. That is a strategic opportunity given their psychological and economic vulnerability as it relates to sourcing food product for 1.5 billion people.

[Chart shown.]

Mr. Krishnamoorthi. May I ask one final question? This image from the American Revolution is the Join or Die Image. This was used to rally the 13 Colonies to fight back together against British tyranny. We have updated it into this new graphic, which I think builds upon what Ambassador Emanuel was talking about, which is Join or Die.

Today, America and our friends, Australia, Taiwan, Japan, and others, are like the divided parts of the snake. And, if we operate together, we can fight Chinese coercion. And I think, you know, Ambassador Emanuel, this is what you were referring to in your Article 5 comments about fighting together against Japanese coercion rather than fight alone, right.

Mr. Emanuel. Correct.

Mr. Krishnamoorthi. Thank you, and I yield back.

Chairman Moolenaar. Thank you.

Representative Gimenez.

Mr. Gimenez. Thank you, Mr. Chairman. And, really, I didn't know -- neither one of you had come in. I just came here to watch Raj do his thing. It is a pleasure to see both of you, especially you Ambassador. It is a pleasure to see you again. And, by the way, I want to commend you on the great job you did as Ambassador in Japan.

I am known here as pretty hawkish on China. And I consider China and their products, China to be a basically a drug dealer. And the world is addicted to Chinese goods. And, when China wants to punish anybody, just withhold the drugs, right. And so there is only one way you can cure yourself is you have to -- you have to rehabilitate yourself. We must decouple from China. Because, if you don't, no matter what you do -- I mean, I guess they acquiesced to Mr. Prime Minister and said, "Okay, we will allow your products to be sold in China, and we won't impose, you know, economic sanctions," et cetera. But I think that was a way of trying to keep both everybody from actually decoupling from them so that, any time in the future, they can do it again. Do you have a comment on it?

Mr. Morrison. I do. I think that is correct. The actions to lift the bans on Australian products was undertaken sometime after Australia withdrew the actions we brought against the PRC at the WTO. So it first required a withdrawing of the allegation of illegal trade bans before they even, frankly, contemplated removing those. I think what the PRC learnt during their experience in seeking to bully us is that it was either effective or it wasn't working because we stood our ground.

And I want to stress one point in relation to what the ranking member said. Yes, the political statements that were made around Freedom Wine or indeed the campaign that the Ambassador led in Japan, they are strong political statements, but the pain of what was done, particularly to our wine industry, was real. And our victims and others experienced that. And, yes, there were some Freedom Wine sold but not enough to make up for that impact.

And my point about that is you stand up; it hurts. And you have to be prepared to take that. And one of the most encouraging things I used to receive when I was Prime Minister was letters from farmers who said, "This hurts, but what you are doing is

right, and we will stand with you." And I have never been more proud of Australians than at moments like that.

And so, if you are going to stand up here, you have got to be prepared to take a few hits in the process. But you are much more able to do that if you can take hits with your mates, and your mates are going to show up as well. And they are the sort of things that I think you are referring to, ranking member and chairman and others, in the political support, in that demonstration, which was very important. I received it here and many other places.

So, yes, they realize they got it wrong. The wolf warrior diplomacy, all of that, was a massive tactical error, and they took advantage of the change of government to try and reset that and take a different approach. Because you are right: Decoupling of the two economies, ultimately apart from single-source supplies, like rare earth materials, and so on in the United States, China has a lot more to lose on that front because of the size of the U.S. market. You already see U.S. capital has been draining out, particularly private capital, out of China now for some time. The same is true in Korea and Japan. They have wised up as well. So that movement of capital in U.S. markets and access to it I think is an incredibly important card and can be deployed both in the U.S. own interest and the interest of allies and partners.

Mr. Gimenez. Mr. Prime Minister, the problem that I have is that I want to decouple faster. Okay. And I know it is going to take pain. But what I am seeing is they will acquiesce because they are in it for the long haul, and they want to keep us hooked as long as they can. And, frankly, we are feeding the monster that eventually will eat us up. And the food that they have is our capital; it is our own money. And so we are actually -- for every dollar that goes to China, it is going to be used against us; it is going to be used against the free world. And so the faster that we decouple -- and, look,

we just did a deal to with -- to continue to get rare earths from China. I don't think I am all that crazy about it, to be honest with you. Because then we don't have this critical need to make our own. We can still rely on some of their rare earths. And, eventually, one day, they will cut us off.

And so, you know, my time is up, and I yield back. But, again, thank you for your courage.

And, again, Mr. Ambassador, thank you for the great job you did. I really appreciate it.

Mr. Morrison. Mr. Chairman, can I make a response?

Chairman Moolenaar. Sure.

Mr. Morrison. In support of that last point in particular, we are kidding ourselves if we think at some point the PRC can find an alternative source of supply for what they need and, in our case, resources and various things like that. If they can find it from a more compliant source, they will, no matter how much dialogue you are having, if it appears from somewhere else, they will tell take that decision at the appropriate time for them. But, equally, where you have vulnerabilities on single-source supplies like critical minerals and rare earths, before you jump off one lily pad, you have got to have another one to jump onto, and that does require a concerted effort.

I remember this was an issue that we raised when we were here back in 2019 with the President in his first term of the need to build these supply chains around critical minerals and rare earths, which had actually the features of what you have just mentioned of in terms of materials here in the United States.

If you can have a resistance to the price manipulation which China applies to rare earths and critical minerals through their stranglehold on prices, every single time an Australian rare earths mine might try and get going, what do they do? They manipulate

the price. The market tanks. They go out of business. They control the market with ruthlessness. And so that requires end users, which are in Japan, Korea, and the United States to be able to give clear and certain price signals into the supply chain so alternative supply chains can be built. When you can do that and when you can have greater variety in the markets of which you are selling into, we are able to find other markets for our boly (ph) -- the coal kept going out of Australia at the same rate it was before out of Newcastle Port. It was still making its way to China. I think Singapore became one of the biggest coal miners in the world during that time. And, you know, it still got there, but you had to have your options. When you have your options, well, you have resilience.

Chairman Moolenaar. Thank you.

Representative Torres.

Mr. Torres. Thank you, Mr. Chair.

I see America's critical mineral dependency on China as our single greatest strategic vulnerability. In 2010 and 2011, China engaged in economic coercion against Japan, imposing export controls on rare earth elements, the first known instance of Beijing weaponizing its chokehold on critical minerals and rare earths against a foreign country. Since 2010, we have known that Western countries like the United States are dangerously dependent on China for critical minerals and rare earths. We have known that China is able and willing to weaponize its chokehold on critical minerals against adversaries like the United States.

Despite knowing these dangers, the U.S. is no closer to achieving critical, mineral independence than we were 15 years. In fact, China controls more of the world's rare earth refining today than it did back in 2010 and 2011 during its economic coercion of Japan.

I guess my question is, why has the United States been so dangerously complacent when it comes to breaking out of critical mineral dependency. America made itself energy independent from the Middle East. Yet we seem to lack the same sense of urgency around making ourselves mineral independent from China. Why the discrepancy?

Mr. Emanuel. Is that for either of one of us?

Mr. Torres. Yeah, either one of us.

Mr. Emanuel. Do you want to go first, Mr. Morrison?

Mr. Morrison. I will follow you.

Mr. Emanuel. Congressman, if I could take one step back. We repeated for basically a decade that China was an economic competitor or a strategic competitor. And, when President Xi comes to power, he makes the decision that China is a strategic adversary, not a competitor. It is a very different psychological outlook.

Second, to your point, and why I advocate this in conjunction with an Article 5 like instrument tool, is to take an assessment of your vulnerabilities. If I could, as you went through basically 2 years of war in the Middle East, including with Iran, as you noticed, energy prices did not spike -- I know we all know this. It has been written. So I am not violating any prior assignments. There were models where, God forbid, there was conflagration in the Middle East, you were going to see energy go to 140 bucks a barrel. That didn't happen. And why? Because of the United States. Full stop. And we worked at it over decades, did not abandon the effort of resilience it related. So you need exactly that type of resilience and study where your vulnerabilities are, what you need to shore up those vulnerabilities -- not by yourself independently -- but with allies and friends alike. So both reshoring and friend-shoring in complacent. Magnets would be an area.

Now I know you would find it hard to believe, but as a middle child, I don't mean to destroy the comity of the group right now. But I say this because, as I noted earlier, Europe's plank posts Lithuania. The only time they have thought of employing that unity was now with the United States because of how we are negotiating with the EU. They haven't deployed it, but they have threatened to. So it was designed with China in mind, but it is actually looked at and may be deployed with us.

One of the problems for China right now is, given the war in Ukraine by Russia, they have lost access to the European market. Leveraging, as the Congressman noted, our own market, that is a powerful force against China, plus our allies in the Indo-Pacific: Japan, Korea, Australia, New Zealand, India, Philippines, and other countries.

So understanding how we organize as a group and put together that economic coalition with real tools to confront both their coercion and wolf warrior tactics in service of a larger interest is key to our long-term economic independence, our economic resilience, and our competition with China.

Mr. Torres. I want to squeeze in one more question. There were reports that China has agreed to resume exports of rare earths to the United States in exchange for the United States resuming exports of H2O AI GPUs to China. And there are competing views, right. The argument from the administration is that it wants to make the world, including China, dependent on an American AI tech stack that includes Nvidia chips. But then the opponents argue that the H2Os are just two computationally powerful. How should we view the deal? Should we see it as building an American AI tech stack or as American capitulation to China's economic coercion?

Mr. Morrison. Well, I think this goes to knowing where your red lines are and the point I made in response to another one of your questions. And these are the sensitive technologies which are aiding a strategic rival, or they are not. And that plays

into the U.S.' security interest, or it doesn't. But, somewhere, that call needs to be made. And greater minds than mine will have to apply themselves to that in making that decision in evaluating that deal. And, you know, some will argue that the Chinese tech will catch up, and they will have their own versions of it, and they won't need it.

In my experience, everyone can make whatever argument they want around these issues. But it all comes back to that fundamental question: What is the security interest? And what is the red line that you can and cannot cross?

Mr. Emanuel. Mr. Congressman, what I would say is, like in any review, you want to find where China's vulnerabilities are and make sure they are dependent on the United States or the free world in those areas. They have a tremendous amount of vulnerability in three sources: food dependence, energy dependence, and fear of their own people. And where those vulnerabilities are, we want to go at them and make them actually rather than totally disengage, make them more vulnerable by making them more dependent.

Mr. Morrison. Can I also touch then and follow up to your earlier question, which is, why has it been going on for so long? Because end users want the cheaper prices, and China will give them the cheaper prices. And, until there is a resolve to break that hold -- which is a vulnerability at this end of the chain and in other end user parts of the chain -- be that in Japan or elsewhere -- you made the point about what occurred with Japan and rare earths earlier. That is true. And the answer to that was an Australian company called Lynas set up a rare earth processing facility in Malaysia with support from the Japanese Government through JOGMEC. And that enabled such a process to provide a secure supply chain to Japan.

Now I applaud the Japanese Government for the initiative they took. It took strong leadership. It put clear guardrails in place. And Lynas is now building a plant in

Texas, which will do heavy rare earth processing.

Now, the rare earths business is a pretty marginal business. And it doesn't take much to rattle it when you have price manipulations. And so the mission that has been taken with MP I think is an excellent one, but it is one that should really be extended to allies and partners, whether they be in the United States or friend-shored elsewhere

Chairman Moolenaar. Thank you.

Representative LaHood.

Mr. LaHood. Well, thank you, Mr. Chairman. I want to thank both of you for being here today and your service.

Ambassador Emanuel, welcome. You had many accomplishments as Ambassador to Japan. I want to highlight one of those was the Chicago Cubs opening their season in Japan this year with a three-game series. So I think you had something to do with that. So thank you for that in bringing the Cubs to Japan.

Ambassador Emanuel, I think what many of us appreciated in your service in Japan was your bluntness, your honesty, and your straightforwardness.

And I want to read from an article from September 20 of 2023, from NBC News. The title: "White House Told U.S. Ambassador of Japan to Stop Taunting the Chinese on Social Media. Rahm Emanuel has mocked Chinese President Xi Jinping, speculating about the recent disappearance of a top official."

Then you went on social media with the hashtag, "Mystery in Beijing Building."

And my question is: That was strategic, and that was tactical. And I think many of us appreciated you taking them on. What was achieved by that, and what were the ramifications?

Mr. Emanuel. I think, since we know each other pretty well, one, there was never an effort to really silence me, but even if there was, it didn't succeed, as you know.

And the effort was to show, as like in the situation, when I bring up the situation in Fukushima -- and I want to compliment Aquilino, who was head of the INDOPACOM at that time, because he had resources. And we caught pictures of the Chinese fishing boats in Japan waters. That picture told a thousand words. It was part of a campaign over a period of time that paid dividends because China threw in the towel at the end. So part of this was also to show the hypocrisy of what China was doing. And there was a Minister of Defense, there was a Foreign Minister, and there was basically three or four Cabinet Ministers that went missing and never got heard from again. In three or four -- I think I cited Agatha Christie, "And Then There Were None." It was actually social media at that point.

So it was to show the hypocrisy of China. Also to show the fact that what they were doing and basically lift the curtain on that kind of action in that area.

It didn't stop because, as you could see, pretty recently, there is -- I have lost count -- I think four to five members of the People's Liberation Army, their armed forces, the commanders and leaders of those forces, have all now been fired, et cetera, in that effort.

So it was to expose the hypocrisy of the political acts and what they said. They always -- and I think the Prime Minister knows this, they always say it is win-win.

Mr. LaHood. Yeah.

RPTR MCGHEE

EDTR ZAMORA

[11:04 a.m.]

Mr. Emanuel. But all roads lead to one destiny, Beijing's advantage.

Mr. LaHood. Yeah. Thank you for that.

In your response to Mr. Torres' question, you talked a little bit about partnering with our like-minded allies. I came a little late, but we haven't heard TPP. Now, that is in the past. But when we think about TPP and what we wanted to do there in terms of writing the rules of the road when it comes to trade in the Indo-Pacific region, partnering with our like-minded allies. Now, that ship has probably passed, but that seemed to me what you were referring to in terms of how do we work on the economic front, how do we partner with our allies there to do that. Is that still a strategy you think has legs?

Mr. Emanuel. I don't think you -- if I could, Mr. Congressman, don't isolate it by region. One of the success of the past strategy, in my view, was that Europe was realized that it was not North Atlantic over here and the Indo-Pacific over here. There was one strategic sphere. You want Europe engaged economically, politically in the peace and prosperity of the Indo-Pacific. That gives us greater leverage. You don't want this just on Australia, Japan, and South Korea. You want all our friends involved and pulling in the same direction.

Now, I think as the NATO -- as, rather, the G7 communique indicated, as EU's action after Lithuania was isolated, you want countries of like-minded interest to come together, form an economic union where anti-coercion is at the core of confrontation. It flips the script where China is trying to isolate an Australia or trying to isolate a Japan. They become the isolated party. You want the economic coercion to quiver, to be taken out so they don't rely on it. And remember, if you take all the countries we talked about

in the Indo-Pacific, you take the United States, Canada, Mexico, the EU, they cannot export their capabilities just to the developing world. It is just not that big of a market today.

The other thing I would say to you, it also then goes through a vulnerability. Half the cases at the World Trade Organizations are brought by other countries against Chinese companies doing exactly what the prime minister said, crushing price to destroy competition. You saw it in the steel plant in Chile. 20,000 people laid off. South Africa, an ally of China, brought a case. Brazil, an ally, brought a case. All in the steel aluminum area.

So by pulling these markets back and uniting them as allies and friends, we will have our disagreements, but we are united in our confrontation on China. You make China's attempt to crush other countries' manufacturing industrial capacity a vulnerability of theirs because, right now, China can be the target of public ire and anger rather than, in this situation, the United States. Flip the script.

Mr. LaHood. Thank you for that.

Mr. Morrison, you want to comment on that?

Mr. Morrison. Yeah, I do. I want to agree with what the ambassador said.

Mr. Emanuel. I think that is enough.

Mr. Morrison. But I would also want to highlight the issue that you have raised in your question. Particularly in southeast Asia, and with the Indo-Pacific more broadly, many of our aligned friends, the idea that we would ask them to make a choice in this strategic rivalry is unwise. There are nations in the Indo-Pacific of which that is entirely appropriate, and Australia is one of those as a core ally of the United States, but other countries in the region want choice.

And so where China is active in a particular country, well, that will happen. The

response to that is not for U.S. or other allied interests to not be there. The response is to double down and be there even more strongly and to provide them with that choice. And I observed this with many countries in southeast Asia. They would not only want to see us, but they would want to see our pension funds, they would want to see our companies, and they particularly want to see that is coming out of the United States, companies like Mitsubishi are very active in Indonesia, and so on. This is a good and positive thing, because in many of these southeast Asian countries, economic security is security. It is their primary issue.

And so while we can speak as allies of our shared values around the issues that are most important to us, they will not always completely overlap. And we must prioritize the economic relationship with these countries to give them assurance and confidence so they can become like-minded partners on particular things.

And so -- and by the way, with the TPP, the door is always open, you are always welcome, and we should never allow the PRC into it, certainly if the U.S. is not into it, and the first one that should be coming in should be Taiwan.

Mr. LaHood. Thank you.

Chairman Moolenaar. Representative Brown.

Ms. Brown. Thank you, Mr. Chairman.

I have the honor of representing Ohio's 11th Congressional District, a district that has been defined by the grit of working families, the contributions of small businesses, and the promise of American manufacturing. I want to focus today's hearing on how Chinese Communist Party's economic tactics have very real impact on everyday Americans.

For too long, China has taken advantage of our open markets, while putting up walls around their own, using tools like export restrictions, retaliatory tariffs, and targeted

boycotts. That might sound abstract in policy terms, but it hits closer to home than people realize.

When China imposes rare earth mineral restrictions, it doesn't just pressure Fortune 500 companies. It ripples through U.S. supply chains, raising costs for factories in the Midwest and threatening jobs in places like Cleveland and throughout northeast Ohio.

When China blocks key components used in American auto manufacturing, it is not just trade policy. It is a family on the east side who can't afford to fix their car. It is a union worker furloughed without notice. It is a parent watching groceries and gas get more expensive while global tensions rise.

Ambassador Emanuel, your testimony underscores how China is leveraging its dominance in rare earth processing to apply economic pressure globally. From your experience in Japan and your work building alliances, how can the United States and its allies act quickly to shield workers and consumers from price shocks and supply chain disruptions stemming from China's coercion?

Mr. Emanuel. Well, as I -- first of all, I want to thank you, Congresswoman, from noting the type of work that goes on in your district and across. And I say this also, the ranking member made note of the Ford plant, as I did, shutting down in Chicago. And as mayor, I convinced Ford to bring a third shift there, about 1,200 workers, not only -- then an additional couple thousand on supply side. So to see them shutter the plant, it is not just shuttering a plant; it means workers going without, as you noted, without paychecks. Little leagues and the community that is built around that plant and supporting all the other activities that go on, they all come to a, you know, screeching halt.

Not only -- we talked extensively earlier about alliances, working on anti-coercion kind of coalition. But I also think knowing how to invest in our own strengths. I do

happen to think the alliances and allies we have built up since World War II is a strength. We will have our disagreements, like every family does, but in the end of the day, we share more in common than the disagreements and the highlights of those.

I think the United States is an incredible capacity both in our research, our innovation, our technology, and our ability to take risk. That is a strength. Abandoning any one of those is unilateral disarmament. The universities in Ohio, while they are competitors to the University of Illinois or University of Michigan or any other statewide universities, is the envy of the world. The technology that comes from Ann Arbor, the technology that comes out of Columbus, Ohio, the technology that comes out of Champaign, Illinois, like the internet, the envy of the world.

You know, one of the opportunities I had by living overseas is you get to see America in a different light. I used to say lip service, you know, the innovation, the ecosystem. But guess what? It is not lip service. It is a shining example. So not just protecting ourselves, but our strength, China replicates, copies, cheats, economic espionage, and intellectual property theft. We out-innovate everybody. To cut research and development dollars to our universities, to attack the ability for them to attract talent -- I know this may be heresy right now -- that is literally taking our strengths and making it a weakness, and it is wrong.

And so that to me, when you look at your universities in your State, the amount of not only innovation, but amount of startups that come from there, the next future in the sense of technology that comes from there, and companies that come from there, that is where America plays a home game. That is an away game for China. You want to play on our turf. Nothing to take away from the universities in Australia, so don't get upset. But we have something that every other country in the world is envious of. What goes on at our universities, what goes on at our companies, the people that we -- that come

from around the world to be part of that, why would we cut off our nose to spite our face? That is a home game for us. Play on our turf. So that is how you respond.

Ms. Brown. Thank you.

So this is for either of you. Many industries in my district -- steel, chemicals, and manufacturing -- have been undercut for years by China's unfair trade practices, including dumping products below market value and subsidizing state-backed firms. How should Congress strengthen our enforcement of countervailing duties and anti-dumping measures in a way that, not only holds China accountable, but also ensures timely relief for American workers and producers?

Mr. Morrison. Interestingly, one of the things that led to China imposing the PRC Government, imposing the trade bans on Australia was that we had taken some anti-dumping decisions on steel for railways and rail lines, and so on. One of the conditions the government agreed to in order to have all those trade bans dumped was to drop those anti-dumping decisions as well. And so anti-dumping I think is a real threat to China, and not just here in the United States or in Australia, but increasingly in developing economies all around the world.

The number of anti-dumping inquiries and actions being taken by developing countries -- because the PRC's economic model is based on overproduction. The consumer economy is weak and they make up for it by driving overproduction at what is effectively nonperforming prices for their state-owned enterprises. They wear the losses. They dump the products. And this is starting to burn relationships between the PRC and what they would call their clients out of the BRI program. So this is a weakness for the PRC.

And so to highlight this overproduction, dumping of products here in the United States or elsewhere, and working together with allies and partners to back each other up

on those measures, I think is really important. And having some harmony about how these things are investigated and rooted out, not only will that be beneficial here, but I think it will be welcomed in developing countries which the PRC often uses and lists to try and achieve their own objectives, particularly international institutions. And that is another area I would highlight, the PRC's influence in international institutions.

We talked about critical minerals and rare earths, and one of the increasing sources of that in the future will be from sea bed. And the involvement of China seeking to gain sea bed license mining in the southwest Pacific and others and to crowd out allies and partners in that field is a troubling issue and one that the U.S. can play an important role in.

Mr. Emanuel. I know, Mr. Chairman, we are on short time here. There is an example right now on the magnets. There is a company in Australia, MP here in the United States. I think it is really important to underscore both your question and what the prime minister answered, which is China's attempt will be right now, given what we are doing, will be to crush the price of magnets worldwide through subsidies so that neither the Australian company or the American company can get their sea legs and be a standalone, capable company supporting both the price and the ability to withstand price competition, and that is not market driven but state driven, is going to be essential to our future, not short term, over the long term, decades, economic independence and sovereignty.

Noticed, I think it was 2 to 3 weeks ago, China banned all scientists who work at the magnet industry in China from traveling overseas. I don't think it was because they have recommended that their holidays be spent only in China. Because they knew that intellectual capability, and they are going around the world at the very time that Australia and the United States are starting to build up a magnet industry that is basically dormant

to a standalone is the thing that they don't want to see happen. So they can't go to conferences, they can't go to international gatherings.

So sustaining those companies, reshoring, friend-shoring, will make us economically independent of China's coercion.

Ms. Brown. Thank you, Mr. Chairman.

Chairman Moolenaar. Thank you.

Representative Moran.

Mr. Moran. Thank you, Mr. Chairman.

And thank you to both our witnesses, prime minister and ambassador. I want to thank you in particular for being strong, steady, and effective voices as it relates to the threats that the Chinese Communist Party poses in particular as we're talking today about economic coercion, which no doubt is a threat to America's way of life. No question they seek to change behavior through fear and intimidation and anti-American coercion across the world. And this committee I think must take steps to address the CCP's coercion and craft legislation that will be a tangible document for Xi Jinping and his economic advisers to understand where we stand on this issue.

I don't think the American people understand how bad the situation is about the intimidation. When I looked back in preparation for this hearing, I was astounded -- just a couple of examples that I will bring out -- during the 2023 field hearing that this committee held back when Mike Gallagher was the chair, in New York City, there was a threat put out to those that would be witnesses, and those witnesses didn't want to reveal their identities because they understood the reprisals that might come from the CCP.

In 2021, Reuters reported that the PRC Embassy in Washington, D.C. had sent letters to U.S. firms pressing executives to urge Members of Congress to amend or

withdraw bills that sought to enhance U.S. competitiveness on the international stage. Those are the kind of actions that the PRC is going to take.

And we certainly remember what happened to South Korea when China imposed economic penalties against South Korean companies, costing them billions of dollars after Seoul agreed in 2016 to a U.S. request to deploy THAAD missile defense systems in South Korea. Seems really to be no limit on the actions the PRC will take to engage in economic coercion.

I want to start with you, Prime Minister, and talk about the use of arbitrary laws by China, or their arbitrary application of laws, their own laws, in this regard. In 2020, China implemented the Export Control Law, which as you know, gives the CCP the ability to halt exports of critical minerals or technologies based on a national security criteria with, frankly, no basis in fact on their side. They have used laws like this to stop the export of key goods when countries don't hold the same political view, as you know.

They also implemented the Unreliable Entity List in 2020 -- that is their term -- which allows Beijing to blacklist foreign firms from undefined acts that they see as harmful to their national sovereignty. In the U.S., we have similar laws but, frankly, we provide evidence and we fairly and equally apply those laws. That is not the case for China.

I want to go back to when you were dealing with this in Australia. Prime Minister, what steps did you take to lead Australia in the face of direct economic coercion by China, and how did you see China use these arbitrary laws to pressure Australian companies?

Mr. Morrison. Thank you, Congressman. It is interesting that -- yes, there are a number of decisions that Australia took on Huawei and so on, and we were the first to do that globally. But we were engaged in some abattoir issues with China, and I was raising

those with the premier at the time, and we were just making zero progress on this issue, the use of nontariff barriers to basically be denying the ability for us to be pursuing our media sports into China, and there was just an absolute brick wall.

Now, this is before I called for an inquiry into COVID-19. Much is put on that issue, and I don't resolve for it for a second. This led to the deaths of millions of people around the world, and their accountability on this issue has never been brought to anything, and it must one day. But I digress.

Those very types of nontariff barriers, the internal rules, the processes, they are used to frustrate, exhibit -- frustrate, I should say, inhibit what were the normal trade relationships between us and China under our free trade agreement. So even where you have an agreement, they will say they obey the rule of law so long as that rule of law suits their purpose at the time, or they can change the rule of law when it suits them, and that is the great threat of authoritarian regimes. The rule of law is the rule of law in the countries we reside in, but for China, it is the rule of law as they call that law at any given day, and if it doesn't suit them, they will find another way to prevent the actions of others who they seek to frustrate.

Mr. Moran. And before I lose my time today, I want to come to you, Ambassador, because you mentioned some things earlier about how do we effectively introduce countermeasures. And I thought one of the things you said was really insightful. You said make China more vulnerable and dependent in three areas: food, energy, and then use the fear of their own people against them effectively.

So I want to ask you specifically, how do we go about that here in Congress? What kind of legislative action should we take to increase the vulnerability in these areas to China and to make them more dependent on the rest of the world?

Mr. Emanuel. Thank you, Congressman. So your colleague mentioned about

disengaging, that China is a bit like a drug. One is I don't like the Cold War metaphor. As you go back to the Cold War, we didn't really have trade with the Soviet Union. The trade between the United States and China is nipping up against a trillion dollars, so it is not a real metaphor.

And the second is China believes, if there is a Cold War, it is in the science and technology area. They want to dominate biotech, AI, quantum computing, just go down the list. Making sure -- and this requires a deft hand, meaning you can't just use a blunt instrument. Where they are vulnerable on food. I think it is a mistake to have Brazilian soybeans replace American soybeans. I think that gives us leverage. I think it is a mistake that they can access energy either through Russia or Iran. I think making them more dependent on not just oil and gas, our technology as it relates to a series of things on battery research, as it relates to battery storage or other types of technology, but you go down the list. This is what I think the NAC would do. I think -- NAC being the National Economic Council on the White House.

I do want to stress, though, you are doing this in conjunction with your allies. The mindset that the United States will do this solo plays to China's game. We are on their turf, isolated, just mano to mano. Us standing with the European friends and allies, with our allies in the Indo-Pacific, strengthens. We are a numbers game. When that force brings, you flip China's script.

Now, I respect the institution of Congress having served here, but in the end of the day, the lead here is out of the executive branch to set the precedent, having served also at the behest of two Presidents. So Congress can play a supporting role both challenging and reinforcing when an administration is taking the course.

Mr. Moran. Thank you to both of you. And I agree with you, Ambassador, we need strong partnerships and allies across the world to isolate China, instead of allowing

that to happen in the reverse.

Mr. Emanuel. One thing I would note that was -- if I could do two things, Mr. Chairman. One is what is not fully appreciated, and I did not until I got there, how much not just our friends and allies, but people in other countries in the region do not want an untethered, unhinged China. They see the United States as the best insurance policy to anchor in that area.

China's strategy, they are the rising power, America is the declining power, get in line or you are going to get Australia's treatment. Our strategy, we are a permanent Pacific power and presence, and you can bet long on the United States. We have to double down on that. Not just Australia, not just Japan, not just Korea. Other countries in the region want America, not just the men and women that serve on the Abraham Lincoln or the Ronald Reagan. They want all of America. They want our sports. They want the instruments of our soft power. They want the instruments of our economic engagement.

So if we are going to do this and stay a permanent Pacific power and presence, don't put this on the young men and women that signed up to serve on a Navy ship 6 months, away from their family alone. Put it on the communities that can outproduce, outinnovate, and outcompete with China, and do it with our allies in tow pulling with us. That is our responsibility as a world leader, our responsibility to our values, and our responsibility to the men and women who are asked as one piece of our instrument of power.

Mr. Moran. I fully agree.

Mr. Chairman, I yield back.

Chairman Moolenaar. Thank you.

Representative Stevens.

Ms. Stevens. So I come from Michigan, the industrial Midwest, the heartbeat, arguably, of our manufacturing sector. And we have been dealing with the China consideration and the coercion consideration since before the Great Recession really woke a lot of people up. The illegal dumping, the currency manipulation, the challenges to our automotive industry.

And I came into this hearing with, you know, questions about minerals, because after a year and a half, I have written this bill called Unearth America's Future Act. It is the CHIPS Act for minerals.

Mr. Prime Minister, we talked extensively to Mr. Rudd about this legislation. Ambassador Emanuel, I would also love to talk to you about this. It is entirely comprehensive and it is a framework for how we can compete in the 21st century, the mid-21st century mark. I mean, we can and love to go back into history and look at this, but yes, we need to look the present in the face and the future that we are heading towards. What does this world look like in 2050, and who is leading the industrial rules-based order?

My presumption on this and my charge as a Federal lawmaker is to bolster the U.S. alongside our allies to achieve that goal for technology dominance, for industrial dominance, and any sort of trappings in terms of how government structures can continue to bolster capital markets.

But this kind of came out with Brown in her question. And, Rahm, you got to this, and I want to dig on it a little bit further. How do we reverse the trajectory here? How do we -- we are hearing a lot about the allies and, you know, that we need to work with others in the Indo-Pacific. And, Ranking Member, I appreciate your graphic. But how do we push back effectively and strategically? And can we continue to do things like AUKUS that, you know, is a great framework for us here in the United States of

America and with our allies for technology development? Is there a vision or a path for us to do things like AUKUS? And when you were ambassador, I thought, well, maybe we can do JAUKUS. Maybe we can tie in and work more aggressively with our allies outside some of the constraints of trade relationships.

So it is nice to talk about onshoring and reshoring. I know how to do it and I think we got a plan to do it. My bill is loan guarantees, tax credits, and an R&D center of excellence, again, CHIPS Act for minerals, because we can't do 85 to 95 percent processed over there. But can we just dig a little bit further while we are all still in the room and hearing all your fascinating responses about how we achieve this goal about 2050?

And, Mr. Prime Minister, if you would like to start, that would be great too.

Mr. Morrison. Well, thank you. And thank you for the question.

I would start by saying a strong America is critical for that. I mean, allies and partners, yes, absolutely, and I think we have been saying that all morning, and as the question is as well. But for the allies and partners network to work, there has to be a strong core, and that requires a strong America and an America with a strong industrial base in particular.

One of the greatest successes of the United States has had through allies and partners has been the sort of global security initiatives, whether it be the Indo-Pacific, NATO, or elsewhere. And applying that same discipline of those networks into the economic sphere is critical to achieve that, but it doesn't work unless the United States itself maintains its leadership and keeps striking distance on these core things that are necessary. So I would agree with you --

Ms. Stevens. What is frustrating from the Michigan perspective, sir, is, you know, we have a current administration, 55 tariff announcements in 100 days. I appreciate how bipartisan and thoughtful we are here, but we have got billions of dollars

of losses now coming out of our big three.

We have the second fastest growing unemployment in the Nation, in Michigan. You know, thank you, erratic tariff policies and all the hiring freezes. And this is not to get overly partisan. Cut the deal for Michigan. Cut the deal for Michigan. I am not yelling at you about that, but that is what we need right here.

I don't need -- yes, I get what is going on with China, and they hoard and we give them everything with the minerals that go into materials, and that is rising costs on us. Cut the deal for us, right.

Rahm, did you want to chime in?

Mr. Emanuel. Congresswoman, I would say, look, the past is a bit of a prologue here. There are three periods of great economic growth in America. One is after the Civil War, one is the beginning of the 20th century, and one is at the end of World War II. What do all three have in common? Investing in America and Americans.

Take education. Land-grant colleges under Abraham Lincoln, universal high school education at the beginning of the 20th century, and the GI Bill. We are education plank. Educated and trained a generation of Americans. You invest in Americans, there is nothing China is doing that is going to scare me. You invest in America, our research universities, our roads, our bridges, our technology. You dominate the rules of AI, quantum computing, biotech. There was a story just the other day, we are now -- our major pharmaceutical companies are now becoming more and more dependent on China's biotech sector. That used to be our play. If we don't invest in it, we are going to lose it. The one thing we know, you don't invest in it, lose it.

And so, to me, Michigan's fate is kind of a canary in the coal mine to the rest of us in the same way that happened on the Ford plant on the south side of the city of Chicago. Actually, that plant -- I don't mean to do this -- exports to more markets around the world

than any other plant in the Ford family here in the United States. Okay. You invest in it. Beijing, we are coming after you. There is nothing America can't do if you invest in both the American people and the American economy.

The fundamentals of the public sector are in the rule of law, our research universities, and our R&D capacity, and our ability to take risk, and the capabilities of both the brains and the brawns that make up this country.

And I want to emphasize what the prime minister said. You can have all the coalition, and I am for it. But there is only one quarterback. We proved that in Europe. We are proving that in the Indo-Pacific. And we can call the play, and I don't mean -- I know Australia is a very important friend and ally, but I think you would emphasize that without the United States, there is a lot of independent countries. With the United States, you have got a team.

Ms. Stevens. I yield back, Mr. Chair. Thank you so much.

Chairman Moolenaar. Thank you.

Representative Tokuda.

Ms. Tokuda. Thank you, Mr. Chair.

I just want to build upon the comments of my colleagues. I too greatly value our defense partnership with Australia, and I have been working in my role in the Armed Services Committee to expedite the construction of infrastructure in the Indo-Pacific -- I represent Hawaii -- that both of our nations will be relying on. And our partnership along with the United Kingdom in AUKUS is important for all three nations and the broader security of the Indo-Pacific.

Last week, I included an amendment in the National Defense Authorization Act directing the Defense Department to explore ways to expand the AUKUS partnership that addressed our critical mineral supply challenges, including as it relates to rare earth

minerals.

Prime Minister, given Australia's historic strengths at mining and mineral processing, what are your thoughts to potentially expanding AUKUS to also include approaches to reducing our reliance on China and other countries when it comes to critical minerals, especially for defense purposes?

And, Ambassador, you spoke about making sure that we are countries of like-minded union. In particular, I am thinking about the Quad. Last week, this committee convened a roundtable to talk about our vulnerabilities in pharmaceuticals API KSM reagents and solvents and such, and as we know, China has quite the market in this particular area. Thoughts about making sure that when we look at the Quad and the work that it is doing there, it also looks at particular areas where we do need to decouple and make ourselves less vulnerable, in particular with pharmaceutical industries.

I am also wondering for both of these areas where minerals as well as pharmaceuticals and other areas of dependency, is the current tariff policies that we are seeing from the Trump administration, quite frankly, playing into China's hands? We need to be very smart and deliberate about all actions and how it all connects together, so I would love to hear that.

And if we have some time, Ambassador, you mentioned the fact that we need to know the baseline. China took 15 years to get to this point where they had us by the batteries and the meds. What else do we need to be forward-looking at in terms of where they are building up a potential vulnerability and dependency for us and our allies going forward into the future?

Mr. Morrison. I might just deal with the AUKUS question first. It is very important AUKUS retains its focus. It is a defense partnership agreement both to ensure that Australia can have a capability of nuclear-powered submarines which can play an

important role in the network of alliances in the Indo-Pacific and be part of that deterrent effect. And that is, for Australia, an enormous undertaking to do this, and it requires our full focus on those tasks.

Pillar two of AUKUS focuses on ensuring we have advanced defense technologies which enables us to also strike that deterrent against, in particular the PRC, but other potential adversaries globally, again, keeping the focus on that.

A key part of when we did AUKUS was ensuring that we had an integrated defense industrial base across those three jurisdictions. Paring back the regulations bit on export controls or ITARs or things like that, and I think there is been enormous progress made on that, more to do, but I am deeply thankful to the U.S. Congress for the work they have done in paring that back. We have made more progress than we have in the last 50 years on those issues, and that is a positive thing.

The reason I highlight that is that what you are raising is an important input into that defense industrial base. The processed rare earths that go into whether they be nuclear-powered submarines or F-35s, or whatever it happens to be, that is essential for those things to be done and everything else that is going to be done that we haven't even dreamt of yet.

What I would humbly suggest is I think the best forum for those industrial-type processes is probably more through the Quad. I think it certainly supports AUKUS and I think it is entirely consistent with what AUKUS is doing. I think what is important is that it gets done. And I think the Quad in particular provides a good vehicle, because it includes Japan.

More recently, there is a company in Australia, Pilbara Minerals, who have struck a joint venture with POSCO in Korea, which is a processing rare earths -- sorry, lithium raw material arrangement. We need to see more and more of those types of deals and

providing those supply chains amongst friends.

It is in Australia's interest for the U.S. industrial base to be strong. And I think this is a point that is sometimes lost about allies and partners. We think it is a good day, a good thing for the U.S. to rebuild its industrial base. We have a stake in that and we want to ensure that happens. That is why under AUKUS already we paid half a billion in supporting nuclear submarine production here on Virginia class.

I don't know of any other ally the United States has that is actually paying the United States to help build your defense industrial base on submarines. That is what a serious partner does that is planning on doing heavy lifting in a partnership.

And so I would say a similar amount of effort and focus is required to get those supply chains and rare earth and critical minerals right, because you cannot pursue the capabilities that you want under AUKUS unless you have those secure supply chains. So the issue you are focusing on is dead right.

Mr. Emanuel. Thank you, Congresswoman.

I would -- two things I would say and take a note -- or three, rather. One, take a page out of the export controls. When I was ambassador, we worked on that. The United States position vis-à-vis semiconductors with China was strengthened because Japan, South Korea, Taiwan, and the Dutch stood shoulder to shoulder with us. That is why China squealed like a stuck pig. And that is a lot for a Jewish kid to say, stuck pig. Okay? And so you got to -- that was a joke. You guys got to relax around here.

So you have to appreciate that is an example, China sued for peace, because the effectiveness of our coalition worked to isolate the isolator. The Quad is a place of economic cooperation. You have got to look at the strategic landscape.

I said this earlier to a colleague's question. They are competing with us on AI dominance around the world, not just with our AI. Will the rules of AI be written around

the China model or U.S.-based model?

Quantum computing. Same deal. Biotech. Same deal. So you look down five, six promising technologies tomorrow that are going to be the most dominant technologies and you begin to double down both on the research dollars that go to those technologies, the security of the companies and the innovation that comes out of those research dollars, and the protection of them in the early stages to be worldwide competitors.

Now, I do want to say, because I don't -- this probably is the last answer, so I might as well kind of go with it. Look, I think tariffs are a blunt instrument that are being applied bluntly. They should be used strategically, not across the board. Not all problems is a hammer in search of a nail. That is my view. I think that if we thought about this strategically, looked at tomorrow, where do we want to be, how do we invest in the technology, how do we invest in the brain power, how do we invest in the muscle power to build up a competitive economic ecosystem around areas?

And the problem when you lose your industrial base is that there is a whole series of ecosystems that is part of that, because that industrial base is part of the innovation piece. It is not universities over here and production over here. That is why you can't concede the ground of industrialization or manufacturing to China, because it is -- take a look at the EV auto industry. We were first, like solar, but take the EV. We were first with a national brand called Tesla. Their companies, though, figured out how to recharge them in 5 minutes. We haven't. They have an ecosystem that is operating. You need that manufacturing as a part and parcel and the heart and soul of your innovation.

Mr. Chairman, can I close on one thing? I do want to thank both the chairman, the ranking member, and the full members of the committee for having a hearing on

something essential to the economic prosperity and the future of not only our country, our allies but, most importantly, the communities and people we represent. And for a rare moment, as somebody who also participated in this sport, this is a rare committee of bipartisanship. We will have our differences on a number of other issues, but you came together on looking to the future and how to play a constructive role in shaping it. And I want to thank both of you and the members for a real thorough discussion about what tomorrow can bring and how to make sure it is to America's advantage and our allies advantage.

Chairman Moolenaar. Well, thank you very much, Ambassador Emanuel, Prime Minister Morrison. Really appreciate your participation today.

Questions for the record are due 1 week from today.

And without objection, the committee hearing is adjourned.

[Whereupon, at 11:45 a.m., the committee was adjourned.]