BOWMAN: Good morning. I want to extend a warm welcome to all of you. Thank you for joining today's event hosted by the Foundation for Defense of Democracies. I am Bradley Bowman. I serve as senior director of FDD's Center on Military and Political Power.

The United States is engaged in an intense technology competition with the Chinese Communist Party. How America performs in that competition will directly impact both our prosperity and our security. Succeeding will require, among other things, an American high-tech sector that is strong, agile, and secure, one in which Americans can start new businesses and create new technologies quicker than competitors in China.

If we fail to outcompete and out-innovate China when it comes to technology, the consequences will be felt at America's kitchen tables, on our main streets, and on future battlefields. After all, we know our national security rests on an economic foundation. A strong economic foundation improves quality of life for Americans, but a large and growing economy also provides the means to afford the national defense our interests require as we confront an increasingly serious and complex array of threats.

A healthy and cutting-edge domestic technology and innovation sector improves life here at home, but also helps ensure warfighters never confront an adversary wielding superior weapons and technology in a future conflict. When U.S. military technology capabilities are second to none, that promotes stability in regions vital to our interests, deters conflict, and helps Americans and our allies prevail when deterrence fails.

With these important stakes in mind, it is important to recognize, in my view, that the Chinese Communist Party has undertaken a systematic campaign to steal American technology and dominate key industries at our expense. Meanwhile, Beijing has used its economic clout and growing technological prowess to conduct the most ambitious military modernization effort in the history of the People's Republic of China. And as the power and capability of the People’s Liberation Army has grown, we see it behaving more aggressively and belligerently in the Taiwan Strait, in the South China Sea, and elsewhere. In too many areas, American advantages have eroded. It is a concerning situation, but we do not want to simply wring our hands and admire the problem, as we say, we want to take action to put the US and our allies in a better position.

So what is to be done?

Well, that is exactly the topic of our event today, leveraging American innovation to counter Beijing and protect US national security. We have a great panel of experts and leaders to help us better understand the problem, and more importantly, what we should do about it.

I’m very happy to welcome Senator Todd Young, a fifth generation Hoosier. Senator Young represents the great state of Indiana in the U.S. Senate, where he serves as a member of the Senate Foreign Relations Committee, the Finance Committee, the Commerce, Science and Transportation Committee and the Small Business and Entrepreneurship Committee, all committee assignments relevant to our discussion today. He enlisted in the U.S. Navy, and then attended that other academy, the United States Naval Academy...I’m outnumbered here, I got to be careful... earning a commission as an officer in the U.S. Marine Corps.

Among other professional and educational accomplishments, he earned an MBA from the University of Chicago and a law degree from Indiana University. He ran for Congress and won three terms representing Indiana’s Ninth District before winning election to the U.S. Senate in 2016.
On a personal note, after his election to the Senate, I was privileged to serve as Senator Young’s national security advisor for two years, from January ‘17 to January ‘19, supporting his great work on the Senate Foreign Relations Committee. I found Senator Young to be someone who did his homework and worked tirelessly in pursuit of good policy and the interest of Hoosiers and all Americans. Perhaps that is why Senator Young was appointed earlier this year as a member of the National Security Commission on Emerging Biotechnology. It is not surprising that Senator Young has helped lead bipartisan legislative efforts to put the United States in a better position in our technology competition with China. Senator Young, welcome, it’s good to see you again.

I’m also very happy that Lieutenant General H.R. McMaster is joining us. A soldier, a scholar, a leader, he is chair of FDD’s Center on Military and Political Power. General McMaster’s extraordinary 34-year career in the U.S. Army culminated, as you know, with him serving as the 26th Assistant to the President for National Security Affairs. General McMaster, thank you for your leadership of CMPP, your decades of distinguished service to our country, and for joining us today.

Finally, today’s conversation will be moderated by my friend and FDD colleague, Rear Admiral Mark Montgomery. Following Mark’s great career in the Navy, he served as policy director for Senator John McCain on the Senate Armed Services Committee. Mark now serves as senior director of FDD’s Center on Cyber and Technology Innovation, and directs CSC 2.0, an initiative housed here at FDD that works to implement the recommendations of the congressionally mandated Cyberspace Solarium Commission, where he served as an executive director. Mark is a leading expert on cyber issues, and I look forward to hearing his thoughts regarding the cyber provisions in the China legislation making its way through Congress.

A few quick words as I move to conclude about FDD before we get started, FDD is a non-partisan research institute, exclusively focused on national security and foreign policy. FDD houses three centers on American power to promote the use of all instruments of American power and produce actionable research and develop policy options to strengthen U.S. national security. FDD proudly accepts no funds from foreign governments.

For more information on our work, we encourage you to visit our website, fdd.org. You can follow us on Twitter @FDD. By way of format, Senator Young and General McMaster will have a discussion for about 30 to 40 minutes with Mark, and then we’ll turn the questions over to our audience here today for the remainder of the event. I will note that the entirety of today’s event is on the record and is being livestreamed. Mark, over to you.

MONTGOMERY: Thank you. And thanks for that introduction, Brad. And I know we have a lot to cover in just a little bit of time. So, I want to jump right in. Senator Young, you were the original sponsor of the Endless Frontiers Act in the Senate, and the U.S. Innovation and Competition Act of 2021, and you’re now leading conferee on the Bipartisan Innovation Act of 2022. What motivated you to pursue such a sweeping piece of legislation?

YOUNG: Well, thank you for the question, Admiral. I’m grateful to be here, grateful to FDD for providing this forum and providing such expertise on a whole gamut of national security-related issues, and privileged to be here with my friend, H.R. McMaster, General McMaster, thank you for being here.

So when I came into the Senate, I was very interested in the convergence between our nation’s economic interests and economic policies on one hand, and our national security policies on the other. It seemed to me, by observation, reading and interaction with top officials, that the Chinese Communist Party had been, in particular, very intentional about advancing their national security interests in the economic realm. The United States, in previous years, I did not
see as being as intentional, much of that is informed by one of our strengths, which is our free market philosophy. We lay out the parameters, the framework within which a market can operate, which meeting individual consumer demand, household demand, and the demand of firms, and then we let them go out there and pursue their self-interest. But that overlooks the obvious national security benefits to changing the framework parameters from time to time.

So let me put a little meat on the bones of this skeleton. Our tariff policy, I think, was helpfully reviewed, and may I say, put into action in service of our national security needs during the Trump years. As were some export control policies, they were reviewed and changed. We did the same thing on a number of different fronts, including our financial markets, and innovation policy is one of these many sort of economic tools. But I didn’t see things synthesized in a coordinated, comprehensive, and cohesive way. I thought we needed a national economic security strategy. I began shopping around this idea, and I found that scholars on the left and right agreed with this. I presented an idea to formalize a national economic security strategy to the then-nominee to be our Secretary of State, Mike Pompeo. He agreed we should do it. So having his public commitment, I moved forward, and that national economic security strategy became a global economic security strategy, it was operationalized by Undersecretary for Economic Affairs Keith Krach within the Trump State Department, and they began building it out, and I thought that was incredibly helpful.

So a subset of that, as I indicated, was the innovation policy. In conversations, yes, in the Senate, Jim, with Chuck Schumer, I discovered not only did we have a mutual animus towards the Chinese Communist Party in many of the things they were doing, but we also agreed that innovation needed to be a key part of development of this broader national economic security strategy. So he and I began collaborating on a bill that would tease out and develop policy for what we regard as the most important features. That became the Endless Frontier Act, applied research component, a tech hub designation component, and a supply chain resiliency/chips manufacturing component. And here we are after much sanding and polishing, but that was the genesis of it. It was, frankly, very strategic in nature.

MONTGOMERY: Well, I love that it really goes across the spectrum of politics there. Because your Endless Frontiers Act was married in the House by Ro Khanna and a fellow Marine, Mike Gallagher, so you can’t get more bipartisan than that.

YOUNG: That’s right.

MONTGOMERY So General McMaster, how do you think this legislation fits into our broader competition with China? Can it help the U.S. remain the economic and security partner of choice in Asia, or are we really at the point where it’s too little too late?

MCMASTER: You know, Mark, this is what China is wanting us to believe, is that really we should just manage our own decline. And I just want to thank Senator Young for this amazing effort that you put together from the very beginning. And to recognize that China had weaponized its statist mercantilist model against us. And this is not a substitute for our free market economic strengths, our unbridled entrepreneurialism, but it’s a way to compensate for that weaponization of that. And what I would describe is as China’s campaign of the three Cs, co-option, coercion, and concealment. Co-opt countries and companies with the lure of profit-making or the lure of Chinese investment. And then once you’re in, and once they’ve got you dependent on it, then coerce you to adhere to and support their foreign policy. And then to conceal all of this as just normal business practices.
Well, it’s not normal business practices, because as we know, every Chinese company has to act as an arm of the Chinese Communist Party. And the Chinese Communist Party’s approach to this is very sophisticated, as FDD has shown in the work that has been done here.

It is driven by military-civil fusion in which they deliberately transfer technologies that the development of which we underwrite with our investments, technologies that are stolen from us, and apply those technologies to gaining a differential advantage over us militarily. And we’re essentially in many ways enabling the development of weapons that the People’s Liberation Army might use to kill our grandchildren, to put it starkly.

And then also, they use these technologies to perfect their technologically enabled Orwellian police state and to conduct the most egregious human rights abuses, whether it’s the extinguishment of human freedom across the country and now in Hong Kong, or the campaign of slow genocide against the Uyghur population.

And so what this legislation does and what the senator’s vision which we have to help succeed, we need to call all of our congressmen and senators and say, “Work together and get this darn thing done, the Strategic Competition Act and the components of it, including the Chips Act for example.” We’re behind. We’re behind, because as the Senator knew as he came into office and learned about, I mean, we were complacent for too long and we’re playing catch up.

So Mark, to your question, it’s not too late. We have tremendous advantages. And you know what? The Chinese have some problems. I mean, if you look at what they’ve done to surpass us economically, in their race to surpass us, they’ve created a lot of frailties in their economic system.

You see this in the real estate sector. But you also see the mistakes that China makes in prioritizing the party’s maintenance of an exclusive grip on power, right? Cracking down on the tech sector, eliminating all of the education and tutoring sector. Healthcare is probably the next one on the list. Look at the severity of what they’re doing in the zero-COVID policy.

So if any American businessman doubted that whether or not it was a mistake to concentrate so much of the world’s manufacturing on the Southeastern coast of China, the combination of COVID, the Chinese Communist Party’s policies, the fragilities now that we see associated with that in our supply chains.

Hey, it’s time to make major economic adjustments based on tremendous legislation, but also based on just free market sense and a recognition of the geo-strategic risk associated with doing business in China.

MONTGOMERY: I love your three Cs. I think with relation to Taiwan, we can now agree it’s down to two, because I think concealment is off the table and they’ve really gotten aggressive there. I think I know where you stand on this, General. But the Senator, do you consider China an adversary? And if you do, how did we get in this position where a country whose economy was 10% the size of ours 20 years ago now needs legislation to be competed with?

YOUNG: It’s unfortunate, but we have to stare reality in the face. They are an adversary. They’re not a partner, certainly. And they’re not merely a competitor, because their aim is to not abide by the rules of the international system, as we have long understood them.

And as they were in 2000, 2001 when they were welcomed into the WTO with our encouragement, instead, they understand that because they can’t beat us at our own game, beat us, remaining, stay in power as the Chinese
Communist Party and continue to grow their own power and presence in the world, they need to change the rules or to manipulate the rules.

And so this is why they’ve engaged in theft of intellectual property, forced technology transfer, licensing requirements for businesses who want to locate there, so on and so forth. And we need to, A, understand the nature of the threat, B, speak honestly about it. And C, legislate accordingly.

Competition. That rubric of competition suggests that there’s an independent arbiter or a referee there to enforce rules of the game. This is how we think of sports. This is not a standard run of the mill competition. This is an effort where one camp’s values will prevail. They’ll either be the enlightenment values of the Declaration of Independence shared by most of the rest of the world, or instead they’ll be the perverse ideology of the Chinese Communist Party. And that’s really what’s at stake here.

If they are able to get control of the rule-making powers of the international economic order by establishing precedents that don’t go checked, then we’re going to have a very tough time in advancing our values.

Fortunately, I think United States and much of the rest of what we collectively call the West understands that now is the time to legislate accordingly. And we’ve seen the Europeans, the Japanese and others advancing economic security legislation to deal with the very challenges that Congress is trying to deal with right now.

MONTGOMERY: I appreciate that. I’m thinking, in that 2000 pages of the bill you’re working on are three or four great small provisions...that authorize and resource State and Commerce to participate at the International Telecommunications Union, World Intellectual Property...at these places. Because we have been, for the last 20 years, the Chinese have done a masterful job of removing Western leadership of those organizations.

YOUNG: These standard-setting bodies, right? I mean, if you can establish the standards in a way that are consistent with your own values and your own interests, you’ve won more than half the game. So I agree, those are really important features to this legislation.

MONTGOMERY: And that’s the innovation I think that’s in it, is that when you look through this bill, it’s not just Chips and Endless Frontiers.

YOUNG: Yeah.

MONTGOMERY: So many hundreds of other opportunities to compete, to get the level playing field for our companies.

MCMASTER: Yeah. There’s no prize for membership in international organizations, right

MONTGOMERY: Yeah.

MCMASTER: They’re competitive spaces and it’s great the bill acknowledges that as well, so...

MONTGOMERY: And even the ITU right now has an election going. It’s not that the U.S. candidate is an advocate for the United States, she’s been an international employee for 30 years. But I suspect she’ll have a much more rational
view of transparency, the rule of law, than her Russian opponent as we head to the ITU elections in November. So I’m excited to see some of these provisions potentially pass and empower State and Commerce to get at it.

YOUNG: And I’ll give credit where credit’s certainly due. I mean, General McMaster I know emphasized the importance of being attentive to these international organizations and ensuring they were either led by Americans or led by those who are friendly to our interest. And we had some big wins during the Trump years.

MONTGOMERY: The World Intellectual Property Office was probably the biggest where General McMaster and Secretary Pompeo led a last-second effort to, I think, have a Singaporean in the end...

MCMASTER: Right. I mean, it’s an overused analogy, but that would’ve been the fox guarding the henhouse right there if China’s in charge of intellectual property rules, right?

MONTGOMERY: But General, let me bring you into kind of a strategic, put your national security advisor hat on. Since 2012 or even before, we’ve used words like rebalance and pivot and the idea of focusing more on Asia and China in specific. We now obviously have a war in Ukraine with Russia. Will that prevent the kind of focus that you hoped to put forward in the 2017 and 2018 documents?

MCMASTER: Thanks, Mark.

And Mark, as you know much better than I do, for example, the vacating Afghanistan has actually required us to commit more of our military force to that region. And especially our forces that are in the shortest supply, our maritime forces.

So I think that this is just a bad construct and we have to think about the competition more broadly and not myopically.

MONTGOMERY: You’re absolutely right. The first force we had to flow to Afghanistan was the Western Pacific aircraft carrier strike group. Vacating that responsibility, in the end with maintenance, almost a year because we had to backfill the land element lost in Afghanistan.

But sorry, we do have to talk about money here. And one of the big pieces of money in the act is what used to be the Chips Act. I think it’s nearly $52 billion. Can you tell us how that helps us compete with China? Is it enough? And does this mean we need to onshore all our semiconductors or can we still rely on countries like Taiwan as critical partners?

YOUNG: Well, we all saw the challenges and are still enduring the challenges associated with a global pandemic and the kinks in the supply chain that that created. It caused disruptions in the manufacturing capacity, whether it was in Taiwan or South Korea where so many of our chips are made, at the same time that we saw a spike in demand for consumer electronics.

And many of these demand patterns, having studied a bit of economics, will not entirely reset. And so we have to prepare for these surges in either demand or interruptions in capacity in the future, whether it’s on account of natural disasters or geopolitical events like the Chinese making a move on Taiwan, for example.
We are preparing to incentivize chip manufacturers to come here through the Chips Act, $52 billion, which is what was authorized in the National Defense Authorization Act. This would now fund that. Analogous to what a governor does to attract employers into their area.

It’s worth noting that not only does Taiwan make it advantageous from a tax and economic standpoint to have companies locate in their country, but South Korea’s doing the same thing. So many other countries are racing into this game. The Europeans have passed some chips legislation, the Japanese are poised to. China is notably poised to do the same.

And so we have to be in the game here. And this, I would argue, is a significant value investment. Yes, it’s an insurance policy, which I’ve sort of spoken to when a major event occurs. But we had the opportunity private sector investment. $50 billion, as I’ve talked to business leaders and others, can result in, over a period of 10 years, 19 additional created in this country and the crowding in of $280 billion in private sector investments.

Now, we can survey the entire gamut of federal investments. And I think we would be hard-pressed to see a lot of investments that have that benefit to cost ratio. So massive value proposition, and it’s time to act now.

MONTGOMERY: Yeah. I mean, I love the idea of leveraging our partners, our European and North Asian partners as well, with that said.

YOUNG: They need to be part of it. And to the second part of your question, we don’t have to be self-sufficient for many things. There are some things on which we do need a domestic capacity, I would argue, some of the very high-end chips that go into our missile systems, for example. It would be nice not to be reliant on other countries for those.

But if we can rely to a larger extent on trusted partners in safe locations, we of course want to do that as well, consistent with our economic interest. We don’t want to overspend for things that we don’t need to. And this provides an opportunity, this, what was once called Endless Frontier Act, now USICA.

An opportunity to stitch together our economic policies with other allies, so that collectively we can advance our shared value system, standards, desired standards, and interests when it comes to economic resiliency. And we have a number of mechanisms within this legislation to crowd in treasure, to crowd in talent from other countries, and to partner with them on development of future national economic policies.

MONTGOMERY: Now, H.R., this seems like some pretty meaty, kind of targeted industrial strategy or policy. Do you think we need to onshore the semiconductor chain or do you think it’s something that we can still maintain with partners and allies? And if so, how do we determine who those are?

MCMASTER: Yeah, well, we need to onshore them, or as Secretary Yellen has said recently, the Secretary of the Treasury, “friend shore” is the term that she used, which reinforces the senator’s point here.

I think that this is something that has to be done because what happened is we became too biased in favor of efficiency over resilience in our supply chains. And this is sort of unchecked globalization based on the underlying assumption related to China policy for far too long, at least since the end of the Cold War, that China having been welcomed into the international order would play by the rules rather than try to undermine them and rewrite them.
And then as China prospered, it would liberalize its economy and it would liberalize its form of governance. It would compete with us fairly. Well, what's happened is China has actually done everything it can to get a grip on some of these critical supply chains that are associated with the emerging global economy, but also in defense as well. This is the Made in China 2025 program and part of the Military-Civil Fusion program.

And what China has done is raced to gain not only a preponderant influence and over-manufacturing of some of this equipment and hardware, but all of the upstream components like rare-earths mining and refinement and so forth, that are critical to semiconductors we're talking about, the silica and so forth, but also critical to battery manufacturing, right?

We're trying to organize a major shift to renewable energy, that's a heck of a lot of batteries. It's also a heck a lot of magnets. How many batteries and magnets are made in the United States? Well, just about zero. How many are made in China? Probably most of what we need.

And so what we have to do is not trade... Remember our old reliance on Middle Eastern oil in the 1970s and what a strategic risk that is. We're about to trade that old risk for a new risk on supply chains that run through China in particular.

And so this is not a case, I don't think, for industrial policy that stifles our free market advantages. This is a case to take examples like 5G communications. What did Huawei do? They stole intellectual property from Cisco and other companies. They then subsidized that company with $60 billion to produce that equipment and hardware at artificially low prices, dump it on the international market, and drive our telecom companies out of business. The same thing has happened with solar manufacturers and wind turbines and you name it. It's about to happen to Elon Musk, I hate to break the news to him, Tesla and battery manufacturing in China. So we have to recognize that the old quotation attributed to Einstein, the definition of insanity is doing the same thing over and over again and expecting a different result. Well, we've been fleeced so many times by the CCP and the companies that are acting as an arm of the CCP, that it's time to do business differently and to catch up in terms of some of these vulnerabilities and these very fragile supply chains that are critical to our way of life. As Brad said in the introduction here, this matters to every American.

MONTGOMERY: That's great. That went well beyond the semiconductors and it really addresses almost all those technology issues that we're facing with China. I will say, I like the term “friend shore” a little more than integrated deterrence. I think I understand it a little better. Hey, another part of-

MCMASTER: Integrated deterrence just does everything though.

MONTGOMERY: You can put any adjective you want in front of deterrence. Another great part of the bill is the American drone security act or security drones act that really is about addressing the challenges we see from Chinese drone makers. What's the scope of this and do you think it could be maintained at the-

YOUNG: Short answer is yes, I do. Essentially, this is Rick Scott and Chris Murphy's legislation that prevents the U.S. government from being a customer to Iranian or Chinese drone makers, knowing that it wouldn't be too much of a stretch of the imagination to imagine Chinese Communist Party drone makers having equipment in there that sends data back to the mothership, their bosses in Beijing, or to have counterfeit equipment in there that doesn't really work when needed for a military application, and so we proposed cracking down. This is an illustration of how process, good process, leads to good policy.
We saw 68 bipartisan votes for this sweeping China competition bill, and the reason we got 68 votes is because I commend Senator Schumer for following what we’ve long called regular order. It’s an imprecise term, but it essentially means having extensive public hearings through the committees of jurisdiction and markups and the opportunity to offer amendments and you get buy-in from members when you do that, and so we consistently did that. We considered hundreds of proposals, including this proposal related to drone technology, and it’s led to a much better, more comprehensive work product.

MONTGOMERY: Well, just for a moment, I’m going to ask General McMaster to put his fatigues back on. As a war fighter, can you imagine anything you want more than having a thousand U.S. drones mapping the Chinese infrastructure, the pipelines, the electrical operator, and then sending the information back to you each night.

MCMASTER: I mean, I just wonder what they’re thinking in Beijing. They must think we’re stupid, and actually, we are a little bit stupid about this. So I just think that we have to recognize what China says it’s going to do and take them at their word. China says that they’re going to supplant us internationally. They’re going to rewrite the rules of international security and discourse. They’re going to create exclusionary areas of privacy across the Indo-Pacific, and they’re going to do that through a broad range of means, and part of it is this data strategy to suck in as much data as you can and then be able to access that data through advances in quantum computing, which are receiving massive subsidies from the Chinese Communist Party.

And to use that to gain economic advantage, but also military advantage such that they can blind us, but they’ll still be able to gain access to the intelligence that’s necessary to threaten our forces. We have some tremendous advantages here. If we protect ourselves from the Chinese collection capability associated with commercial space and our access now, the world’s access, to really a high degree of transparency. It’s hard for Russia right now, obviously, to hide what it’s doing in the brutalization of the Ukrainian people, and so I think transparency works in our favor, but why would we give the Chinese access to our data on our infrastructure so they could attack it more readily, or our mobilization infrastructure, our military bases, and why would the American people give the Chinese Communist Party access to your teenager’s data as well through TikTok? I mean, that’s another question.

YOUNG: And I think you have to include in this, the intelligence law in China that requires Chinese-owned companies to provide data back to the state when requested for national security purposes.

MONTGOMERY: I only have time for one more question for me before we go to the audience. I’m going to take a moderator’s preference here and mention one thing. My old stomping ground, the Cyberspace Solarium Commission, we were thrilled to see so many cybersecurity provisions in the various versions that you’re now conferring, and I think there’s 20 plus, but I just want to highlight one.

There’s something called CyberCorps scholarship for service. It’s a ROTC-like program. Unlike you two service academy graduates, I didn’t go to vocational school. I went to Navy ROTC and I paid my way. We do the same now for cybersecurity employees for the federal government. You do two to three years and you owe two to three years on the back end. There’s some good language in the bill potentially to increase it beyond the 82 colleges. Currently, I think three in Indiana, including your law school alumni, and do you think there’s a chance for this CyberCorps increased funding to get through in this provision?

YOUNG: I do. And this is a priority of mine, it was a priority of Mike Gallagher’s, who’s also a member of Cyber Solarium Commission. We not only propose that this CyberCorps program be scaled up from, I think the current
budgetary line item is 60 million. We propose increasing it to 90 million. Perhaps it’ll go higher after that at some point, but we also propose among other cybersecurity provisions, advances in STEM education, making sure that more people have access to STEM education, which is a key predicate to addressing cybersecurity threats, and also additional engagement in some international forums, back to the international component of this, that allows us to collectively work with allies and partners on addressing cybersecurity threats. So I think this will remain a priority. It’s something we’re especially attentive to right now in the midst of the Russo-Ukrainian war and the vulnerabilities that had been highlighted in the open press.

MONTGOMERY: Yeah, I think secretly, members of the Cyberspace Solarium Commission would like to see a little bit of Russian attack on the U.S. infrastructure just to remind people, we need to make these investments.

YOUNG: I’m not prepared to endorse that.

MCMASTER: I just want to say you did a great job with that report. I mean, it is thorough and it’s detailed and specific in terms of recommendations. I mean, it was really tremendous work.

MONTGOMERY: I think cyber security is truly one of the nonpartisan issues that we see in Congress and I don’t say bipartisan. It really, it’s removed and how someone votes is often based on whether they were governor or not as much as whether, what party they come from. So it’s really been a good experience. So I think we want to take questions from the audience. If you all raise your hand, we have a mic we’ll bring you, and-

MCMASTER: It’s like a real audience. How cool is that? I don’t remember when the last time was in this room before.

MONTGOMERY: I have other personal questions I can ask if you guys don’t want to.

YOUNG: I thank the members of the media for being present, and I really do.

MONTGOMERY: Just let us know who you are before.

ATHEY: Yeah. I’m Phil Athey with the National Journal. Question for Senator Young. Conference is starting on the bill tomorrow. Do you have a rough timeline for when you think the conference is going to go, how quickly it’s going to get done, when this is actually going to get passed, and if it goes past the August recess, is there any fear that it’s going to get caught up in like the politics of the midterm and kind of die that way?

YOUNG: Well, I’m a Marine so of course, I fear nothing. I might admit to a bit of apprehension at that point, but listen, Senator Schumer’s laid out what I would regard as an aggressive timeline. I think it’s great to have an aggressive timeline. He has indicated on the map that mid-June, we could have a final work product in a conference report. I hope that is the case. It wouldn’t surprise me if instead, this extended well into July and some sanding and polishing occurred over the August recess, but much longer than that, of course, electoral politics will significantly complicate our efforts to advance it, but I think just about everyone wants to get this done. I haven’t heard a whole lot of critical review or constructive feedback that indicates we should go another direction. So as I move forward and we try and advance something resembling what the Senate passed, that bipartisan product, I hope that we can get everyone’s ideas in fairly short order and be done maybe mid-June. We’ll stick with that, but certainly by the August recess.
KAMATARIS: Thank you, Senator. I’m Colonel Allison Kamataris, I’m an active-duty member on the joint staff, and thank you, sir. This question is for either General McMaster, or you. General McMaster, you said this matters to every American. I think it does and as members of the military or FDD and members in national security apparatus, I think we all understand that. I don’t know if every American does and I guess my question to you or the panel is how do we help the American public, help them understand economic policy, which is very complicated? How do we help them understand that? How do we help our parents understand this at the dinner table and how do we break it down to them in very simple terms that this is complicated and how can we help this message?

YOUNG: I’ll take a stab at it and if the general wants to add something, I’ll of course let him run with that. I would say that’s our job and also the job of members of the media to highlight some historical examples, maybe recent history that are particularly powerful. That will make our economic policy proposals more accessible to people. I think I’ll be talking back home about how the General Motors plant in Fort Wayne, Indiana idled recently because we didn’t have a sufficient supply of chips. I’ll be discussing how in Indianapolis, Indiana, where Eli Lilly is headquartered, they had a really a powerful partnership with Genentech years ago on developing a biotech industry. It was the genesis of biotech when Genentech brought their research, much of which had occurred at the federal level prior to their innovations into the private sector and it’s led to tons of wealth for people over the years.

So I’ll be reminding the American people in a pretty accessible way about why this is so important. A big part of the bill is investment in our people. My calculation and that of so many others is if the United States can become a better version of ourselves, use the China competition to become a better version of ourselves in multiple ways working with partners and allies, there's no way we're going to lose this multi-generational challenge, a competition of models, and so the fact that we’re investing significantly in people, in their educations, in systems that will allow them to become more material wealthy and to put them in service of our values and this generational competition will also be compelling to them. So I’ll leave it up to individual members to know their constituents and their own states, but I think that the value propositions here, though they’ve been crowded out by a lot of here and now challenges facing our country and policy debates, they’re ready for the taking and for the delivery to our constituents if we’re prepared to make these arguments.

KAMATARIS: Thank you.

MCMASTER: Yeah. I think just explain to the American people what’s at stake in this competition, and I think one of the best ways to do that is to first, really just reiterate what Xi Jinping say, right? Take a look at his speeches, take a look at the joint statement that Xi Jinping and Vladimir Putin issued just prior to the Beijing Olympics. The message was, “Hey America, free market economic systems, your democracy, you’re done. You’re over. It’s our time now in this new era of international relations,” to use their words. They professed their enduring love for one another in terms of the two dictators that have a revanchist, revisionist agenda that they’re executing at our expense, and then at the at our expense part of it, I think to really demonstrate what the plans are for the Chinese Communist Party.

The creation of this dual circulation economy that creates dependence on China for advanced manufacturing and various supply chains. Remember PPE during the first part of the pandemic and so forth, but to replicate that in all critical supply chains, including semiconductors, but as I mentioned, upstream components, rare earths, battery manufacturing, and then to be able to coerce us while they are insulated from any kind of financial or economic consequences for their aggression, which they are planning in Taiwan and executing in the South China Sea, on the Himalayan frontier, and so this is what’s at stake is security and prosperity and I think Americans understand because it’s so approximate the transitions in the global economy that occurred in the 2000s after China’s entry into the WTO.
Remember the loss of so much manufacturing jobs as they were becoming concentrated on the Southeastern coast of China, how many people and communities were left behind in that transition. That’s not to recreate those old jobs, but it’s to recognize that was an artificiality created by us treating a statist mercantilist economic model like it was a free market economy, and I think giving specific examples of certain companies and the theft of intellectual property and the need for us to protect more. These are all competitions that are playing out in the private sector. That’s why Americans have to understand it. The competition in education and make sure we have the engineers and the technicians and the code writers who have the skills, the knowledge, the abilities to compete effectively, understanding how our exports are helping the Chinese defense industry.

That’s why we need better export controls, understanding especially how our pensioners’ investments in pension funds for teachers and firemen and policemen and women, how that is the scaffolding, the financial scaffolding that’s holding up the Chinese economic model. We’re really underwriting our own demise. So outbound investment screening for that dump money, but also for venture capital. Last year, U.S. venture capital firms invested $114 billion in Chinese tech startups. I mean, so you know the old quote attributed to Lenin, the capitalists will sell us the rope with which we’ll hang them? It’s worse than that. We’re financing China’s purchase of the rope so they can hang us.

MONTGOMERY: Thanks. I think you each had great points there. You reminded me that the Chinese are great at actually saying out loud what their strategy is if only you could read Mandarin, and Senator, you brought up a great point, which when you’re thinking about this competition, we have to invest in all three prongs, the technology, the policy, and the people, and we all get fixated on the 52 of the technology, the 52 billion for this and sometimes, the policy authorizing an agency do that or this, but really, it’s the people that backstop everything and there are a lot of good people bills that involve money, but also involve trying to drive solutions in STEM and in other areas. So I really appreciate that aspect of the bill if we get it through by July or August or September.

YOUNG: Yeah. Yeah. Listen, there’s a happy coincidence here between domestic policy and our foreign policy. We’re all familiar with the frustration and the apprehension associated with inequitable opportunity. This global economy, because of the scale of it and the nature of it… Sweat doesn’t pay what it used to, in relative terms. And opportunity is very much associated with where you grew up. Yes, I acknowledge that. And I think there are policy responses that need to be made to that. Well, let’s double down in our investment in people and places. Overlooked places, like the state of Indiana that has not benefited handsomely from government as customer, or government as investor over the years in basic technology.

Let’s invest in the people who populate these places. My constituents, many of whom are quite ambitious, very talented, incredible work ethics, they deserve the investments that have been disproportionately channeled into a few pockets around the country. And the venture capital will follow. And we will grow at a faster rate. So, it’s really remarkable when you think about the needs of our population domestically and the needs geopolitically, they are synced up. I know the administration has made much of coming up with a foreign policy that benefits the middle class. I think in many respects, they’ve fallen short, but here we have an opportunity to do just that.

MONTGOMERY: Thanks. We have time one more question. So please Captain.

MITCHELL: Thank you, sir. Captain Bryce Mitchell. I'm the DIA's Director of Operations. My question is really the effectiveness of the DOJ’s China initiative and the administration’s almost rolling that back recently, as it is designed to get after economic espionage and some of that tech transfer. Do you see something coming along afterwards? And how effective was that as a policy?
YOUNG: DOJ’s policy in cracking down on the intellectual property theft? My own view is if something’s a priority, you institutionalize it and you label it with a name that communicates exactly what it’s for. So I think that the Trump administration had the approach right. I understand that the habit of administrations over my lifetime of coming into office, wanting to do something different, criticizing the previous administration. But I think they’ll be reconstituting this capability internally. I certainly am going to press them to do so, do you have anything to add?

MCMASTER: No, I’ll just say, I think one of the reasons why we… It should not have been controversial at all. Hey, Chinese Communist Party, don’t steal our intellectual property and apply it to your defense sector and then to gain unfair differential measures. And let’s investigate those useful idiots and active agents of the Chinese Communist Party who are aiding and abetting MSS agents, and People’s Liberation Army individuals here in the United States.

So, that should not be controversial. What happened is China helped, I think, to create a narrative that this was anti-Asian somehow or anti-Chinese-American, which is in effect, I think, a racist narrative. Because what it’s saying is that some of our greatest citizens, Chinese-Americans are sympathetic to the Chinese Communist Party. Of course, they’re not. In fact, I believe, that it’s very important for us to say, and it takes longer to say, Chinese Communist Party instead of China, because the other part of the Chinese narrative is that we’re just trying to keep the Chinese people down.

That’s not the case at all. We have a problem with the policies and actions of the Chinese Communist Party that affect our security, affect our prosperity and our interests more broadly around the world. That’s where the problem is. And that’s what we ought to focus on. I don’t believe that any peoples are culturally predisposed toward not wanting a say in how they’re governed. It’ll be their say in how they’re governed. But I think all people want a say in that. That’s what the Chinese Communist Party fears more than anything.

So I think that what we can do is protect ourselves and that’s justifiable. And by the way, I think what Senator Young should take credit for here too, is his advocacy for immigration reform. And to make it easier for H1B and special benefit parole visas, for those who are going to be part of this solution. Hey, let’s effect a brain drain on China. If you are an employee of a U.S. or an international company who comes under the duress or coercion of the Chinese Communist Party, give that person and their family a visa to come the United States. After the Tiananmen Square massacre, George H.W. Bush said, “Hey, if you’re a Chinese student here, you can stay.” 58,000 green cards. Because remember much fewer number of Chinese students were here at the time. Because that’s a big number. They became some of our most productive, creative citizens.

So I think, some people think restrict immigration is part of the solution. No. More immigration. Is there a counterintelligence threat? Yes. That’s what the FBI’s for. You know what I mean? So DOJ is… So yeah, I would say we have to, I think, think of what are these kind of judo moves and the senator’s been a big leader on this and I commend you for that, and I hope it gets traction.

YOUNG: Well, the Chinese Communist Party used the term, they’re afraid. And they are afraid. They’re afraid that we’re getting our act together with respect to this legislation. Jake Sullivan, as some of you will recall, visited with certain Chinese leaders early on in this administration up in Alaska. And one of the messages, the Chinese leaders communicated to Jake Sullivan was, “Our system is superior. Our authoritarian systems and similar systems are superior because we are efficient. We have the ability to do important things in a way that your checks and balances and culture don’t allow you to do so.” We have an opportunity to show that our system is indeed superior. We’re
bring all the people along with it. This is exactly why the Chinese Communist Party has literally lobbied against this legislation.

MONTGOMERY: I appreciate that neither of you are passionate about this issue. If we have one more question, make it quick. All right.

LEITZKE: I’ll try and make it quick. Brian [Leitzke], I’m an Air Force pilot and a fellow here, and I have a two-part question that’s related to the concept you’ve weaved throughout this underwriting our own demise or beating ourselves. And so the first part is, I respectfully share your skepticism that this may not make it through conference, is there a viable backup in the NDAA which is consistently passed for 60 years in a row, albeit late most times, to get some of this stuff through?

And the second part of the question is really in this process, which you said is bipartisan, have you seen that there is a willingness to change from some of the things that we’ve had trouble doing. I’ll give an example that’s parochial to both of us, the A-10 is just about as old as the P-51 would’ve been if we used it in Desert Storm, yet to recapitalize Fort Wayne, as one example, we need to be able to right-size that fleet. Have you seen bipartisan support for changes like that are necessary to move forward in the competition?

YOUNG: With respect to contingency plans, we’ll make them. They may be being made. I’m not going to volunteer anything to you but let’s get this done. All right? We’ve got an opportunity. I can’t imagine we would have such an open-ended process where you don’t have to be in the Armed Services Committee to make national security policy. It sure would be nice if the entire Congress got their muscle memory moving and said, “We want to legislate. We don’t want to delegate all our tough decisions with respect to national security, to the Armed Services Committee or to the executive branch.” And you know what? This administration creditably wants Congress to do our work as well. They want to bring everyone along. They want our collective ideas. This is why I ran for office. It’ll be shameful for people to push this aside, say, “We don’t want to give somebody a win. This feels unnatural.” Let’s be bold because this is a time that demands boldness.

With respect to other actions and reforming our procurement processes and so forth, I do think we have an opportunity here to build on success. There’s a lot of interest around this legislation. A lot of people have become invested in advancing our national security interest through economic policy. Let’s take that subject matter interest and apply it to other areas like, frankly, like stepping away from some of the parochialism in turf warfare that has been a hallmark of our national defense policy and makes some needed reforms.

MONTGOMERY: So we’re near the end. Major, I’ll make sure I pass your name to headquarters Air Force for that A-10 lobbying effort. But yeah-

MCMASTER: I fully support it by the way.

MONTGOMERY: It’s selling into the South Korea

YOUNG: A-10’s a popular bird in the state of Indiana, I will say that.

MONTGOMERY: That’s great. Hey, we only have two minutes left. I give each you one minute to give a final thought and I’ll start with General McMaster and then Senator Young.
YOUNG: All right. Thank you.

MCMASTER: Hey, I always say we should be confident, right? I think what we lack is confidence in our ability to compete these days. What we lack more than anything else is I think, is confidence. And there's this narrative that we should just kind of manage our own decline, and that America's power is waning, China's is rising. But, I think, go back to the 1970s. It looked pretty bad in the '70s. We had a president resign under a scandal. We had the fall of the embassy and the fall of Saigon in 1975. You had multiple energy crises and stagflation, and you had a hostage crisis in Iran at the end of the decade. There were a lot of people back then who said, “Hey, you know, that authoritarian regime, the Soviet Union, they look pretty strong. Our democracy looks pretty weak.” But I think totalitarianism is brittle. Democracy, as ugly as it is, it's strong and resilient, and has the mechanism for self-correction and improvement, short of revolution.

So I just think all Americans ought to be more confident as we emerge from the traumas of recent years and get behind the senator’s initiative, demand the same from all of our elected leaders. Don't compromise our principles and our future to score partisan political points. Let's work together and build a better future for generations to come.

YOUNG: I share your confidence. I share your enthusiasms. We've got just about every reason to be confident. If you were to assess our assets versus our liabilities as a country... I think of our best system of higher ed, our broadest deeper capital markets in the world. I think of our culture of entrepreneurship that celebrates people who try and fail and get up and dust off their trousers and try again, our history of immigration, welcoming people, as long as they want to come here and contribute and be part of the American experiment, our written constitution, rule of law, on and on and on. We can all list off all these assets. And about the only thing as I talk to my constituents, that they lament is our inability for Washington, DC to work, to set bold new national policy when needed.

We have an opportunity here to prove to the Chinese Communist Party, to prove to those skeptics who indicate that an authoritarian system is going to win the 21st century, that can mobilize all those assets in service of our values. And I believe it's going to happen. It's remarkable. A lot of people marvel at what we've accomplished thus far, but I didn't embark on this effort working with Chuck Schumer and others, so that we could get the ball to the five yard line. We want to get it into the end zone. And I think that'll happen in coming months.

MONTGOMERY: Well, thank you both for finishing with confident comments and H.R., I have to back up your idea of brittleness. And if Ukraine’s taught us anything, even 20 to 25 years of our shared values of interest and giving them the resilience to do fantastic over the last two to three months. Thank you, Senator Young. Thank you, General McMaster for your service in and out of uniform, for joining us here today. Thanks for the audience for being here in person and online. And for more information on FDD and our latest analysis, we encourage you to visit fdd.org. We hope to see you again soon. Thank you.

YOUNG: Thank you.

MCMASTER: Thank you.