

May 5, 2026

Featuring Josh Birenbaum, Elaine Dezenski, and Tom Hill

Moderated by Warren P. Strobel

Introductory remarks by Juan C. Zarate

ZARATE: Good morning, everybody. Welcome to the Foundation for Defense of Democracies. Thank you all for joining us. I'm Juan Zarate, chairman and co-founder of FDD's Center on Economic and Financial Power. It's Tuesday, May 5th for those of you who are confused – and we're pleased to have you here for the launch of the Center's "Gameplan for American Economic Security." This is on the record, but we are not livestreaming.

Economic security is national security. This has now become a hackneyed mantra in Washington, but this theme has been the focus of our center for well over a decade. We have long understood that the financial and economic domain was not just an arena of competition, but a fluid theater of conflict. This requires development of strategies, policies, and tools that allow the United States to leverage its unrivaled economic power: the world's largest and most innovative economy, the most liquid capital markets, the dominant dollar, the keeper of international norms, and the world's financial safe haven.

Economic power, though, is not just about wielding financial and commercial tools of exclusion more effectively, like sanctions and export controls. This also requires addressing our economic dependencies and vulnerabilities, especially with respect to China, and leveraging our private sector, technology, and capital more deliberately to drive positive economic power. This is now especially the case as America's adversaries – China, Russia, Iran, and North Korea – are leveraging their own economic weapons to undermine U.S. and allied interests and establish alternate systems and norms. And this is all happening amidst tectonic shifts in global trade, commercial alliances, and technological advances. National economic security has now come into sharp relief, and we must move from mantras to strategy.

Our new framework, "A Gameplan for American Economic Security," outlines a comprehensive playbook for leveraging U.S. economic power to protect national security, advance American interests, and build a coalition of market-based allies. To discuss the gameplan, we are honored to have the authors of the memo, Elaine Dezenski and Josh Birenbaum, as well as Thomas Hill.

Many of you know Elaine Dezenski, who serves as senior director and head of the Center on Economic and Financial Power. She's a globally recognized expert on geopolitical risk, economic statecraft, anti-corruption, and national security. She's conducted groundbreaking work on ally-shoring, supply chain resilience, and Chinese corruption.

Josh Birenbaum is deputy director for the center, where he is an expert on economic security and illicit finance with a deep focus on anti-corruption, anti-money laundering, countering terrorist financing, and critical supply chains.

And Tom Hill is the staff director for the East Asia and Pacific Subcommittee on the House Committee on Foreign Affairs. He was previously the director of the North Africa Program at the United States Institute of Peace. He oversaw projects implemented in Tunisia, Libya, and Egypt.

Moderating today's conversation is Warren Strobel from the *Washington Post*. We're honored to have Warren here today. Thank you, Warren. Warren's covered American foreign policy, national security, and intelligence agencies for more than 35 years. Incredibly happy to have you with us.

Before we dive in, a few words about FDD. For almost 25 years, FDD has operated as a fiercely independent nonpartisan research institute, exclusively focused on national security and foreign policy. If you'll allow me to say, FDD has been more than a thorn in the side of America's enemies. As a point of pride and principle, we do not accept foreign government funding. For more on our center's work, please visit fdd.org, follow us on X and Instagram, and subscribe to our YouTube channel. With that, Warren, the floor is yours.

STROBEL: Thank you, Juan. Thanks to FDD for having us here, and welcome to our – to our guests. I was thinking about this panel over the last couple of days, and the first thing that came to mind was the saying we have among fellow journalists, which is reporters suck at math. We really do. We screw up the most basic story on the federal budget or the Pentagon budget or what have you. So being here talking about big geopolitical economic ideas is a little bit of a test, but I'm just so happy that we have this expert panel here and the two authors of the report.

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One thing that really excites me about the report is the timeliness of it. The fact that in the headlines today are issues of artificial intelligence, sanctions, oil flows – everything having to do with, you know, with economics. They're coming at us fast; the world is changing fast. And I think this report sort of comes at a very important moment to try to capture that and hopefully capture a way that the United States can adjust and adapt as we have in the past.

So that introduction, Elaine, I want to turn it over to you to sort of talk about, if you could for just a couple of moments, the economic moment that we are in and why you felt it was necessary to – to put together this excellent report.

DEZENSKI: Yeah. Thank you very much. It's great to see everyone. It's an exciting day for us. We've been working on this research for more than a year, so it's good to have it out there and we're looking forward to the conversation. Before I launch into the question, I just want to acknowledge some team members who are here, because Josh and I are here as co-authors of the report, but there was a lot of input coming from the team and through many conversations with an extended network of – of people within FDD. But if I could ask Max Meizlish and Dan Swift and Susan Soh and Angela Howard to just wave, maybe. I just want to acknowledge that we have an amazing team, and everybody came together on this, along with the FDD editing team and events and comms and beyond. So, thank you to everyone.

So, yeah. We are in what we would consider to be a genuinely historic economic moment. And we think it's probably the most significant alignment since Bretton Woods. And I'm not the first to say that, but I want to talk about several forces that are converging simultaneously, which I think is why this moment is so unique.

So, I want to start with China. We are going to talk about China today quite a bit, and I want to start with China's economy. China's macro economy continues to weaken, but rather than reforming – and there are some things that could be done to move China in a different direction – what we're seeing is that the – the Chinese Communist Party is doubling down on the one tool that really matters for its economy, and that's exports. And the result is an overproduction machine, with markets flooded not just in the US, but around the world, including in Europe, certainly parts of Latin America, and – and beyond. And this is a challenge because China already manufactures 30 percent of what's produced worldwide – 30 percent – and they're on pace to reach 50 percent. So that's a level of concentration within the global market that is simply incompatible with the global trading system.

So, we're starting to see this really come into – to force. And when we combine this level of overproduction with how Beijing is leveraging manufacturing dominance and exploiting monopolies in critical sectors – rare earths, batteries, semiconductors, pharmaceuticals – these are becoming tools of economic coercion for Beijing. And the reality is, and we have to be honest about this, we've pretty much allowed that to happen. And this dominance of China is a great example of where our commitment to open markets, our commitment to free trade, has been weaponized against us. And now we have a big problem.

So, what is this problem? It is a market versus a non-market interface. It is – it is a collision of two systems that really can't operate together. And if we don't address the non-market moment coming from Beijing, the entire free market is going to go down with it. So, this is not a sustainable path, not for us, and actually not for the Chinese. So, we have that piece.

And then we have a second piece, which I'll just kind of describe as – the Trump administration, which from day one has prioritized economic tools in ways that are genuinely unprecedented, whether we're talking about tariffs, secondary sanctions, the deal-making ethos – which actually has been very positive in many ways – using instruments that, you know, have been sort of pulled into this economic moment. For example, using swap lines with Argentina, potentially with the UAE, to stabilize economies in interesting ways. So, we have really unprecedented use of the economic toolkit. And we go through in the report an inventory of all these tools, so we won't do that here. But what – what we also know is that the way that these tools are being used in some cases has been very effective, and in other cases has been somewhat erratic.

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And when we use the tools in – in a way that is erratic, our argument is that we leave power on the table. Meaning that if we use the power of sanctions and we don't enforce those tools, or we don't think about the second and third order effects of what we're doing, ultimately, we're weakening the position of the United States, which we don't need to do as the dominant economy, as – as the country that has the ability to reach deeply into this tool set. So, we'll get back to this idea that we need to figure out how to be less erratic and more systematic in the way that we use these tools.

There's a real impact on allies and partners when it comes to the erratic nature of – of what can happen, because allies go from being maybe uncertain about what we're doing to feeling unmoored within a system that is changing. And we think that that's a concern that needs to be addressed more proactively.

And then the final thing that I want to mention is more specifically around tariffs, which have been such a big part of what we've been using in this economic toolkit. And there are a lot of legitimate uses for – for tariffs. And again, I think, you know, we've never seen this level of – of use of that particular tool. It can be very powerful in terms of addressing dumping, in terms of protecting nascent industries that need to get reshored and rooted here in the US or even with allies and partners, but we don't have a proper framework for thinking about tariffs as instruments of geopolitical statecraft outside of the trade environment. For example, how do we use them against Russia and Iran for non-trade purposes? There are many ways that we could leverage tariffs, and then some ways that maybe are less effective over the long term, and we need to think about that.

So, we have these dynamics happening in the market. We have a deeper issue beneath all of it, which is a fracturing of what many have talked about as the “rules-based international trading order,” that if left vulnerable and systematically exploited by non-market players, will cease to exist as we know it. So, we do see this as an existential challenge of this economic moment that we're in.

Having said that, we know that we have the tools to address these challenges. The question is, do we have the will and the strategy to move forward? And there are lots of bright lights right now where we see a lot of progress, but we do think that there are some additional components that need to be added into this conversation from a coordination perspective, from a – from a strategic coherence perspective and institutionalizing the way that we use these tools. So that's kind of where I would describe us today.

STROBEL: Wonderful. Thank you. Thank you.

I'm going to flip it over to Josh and ask if he can go just a little bit deeper into the recommendations from the report, but I want to pick up on something that Juan said at the outset, which is there's a big – lot of focus on negative tools. People in my line of business, we write about sanctions, we write about tariff, we write about money seizures and illicit finance. I see my former colleague from *Wall Street Journal*, Ian Talley, over there – he's an expert in this, five times that I am – but we tend to focus on those negative tools. As you talk – can you speak a little bit about the positive tools that might be employed, or employed more than they are now?

BIRENBAUM: Absolutely. So, thanks, Warren, for moderating, for the question.

I think that we need to think about why we need a game plan. Why did we write a game plan? There's a recognition that we're in a moment that needs doctrinal strategic structure, and there's a general call for that, but there's not a great sense of how to do that. What are the mechanisms to actually bring that about that use the power of our markets to defend our markets, which is the core concept here? How do we build a system that's built for US prosperity, that's protective of our market system, that doesn't get manipulated by non-market players, and that isn't open to illicit finance and terror finance and the risks that are weaponized regularly in the globalized economy? So, the goal was to provide a starting point for that conversation: real, tangible things that can get done.

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Some of them are small. There's an appendix with a whole bunch of new tools that one could use, or amplifications of tools that exist, but there are also some big ideas. And I want to talk a little bit about sort of four big ideas that are in here. Not all of these are going to happen, and they maybe – may evolve as they are put into practice. The goal is to give optionality here. Everything could get done together in a cohesive whole, but it's really a menu of options, optionality for moving forward that takes advantage of the present moment, recognizing the impact and power of economic tools, but is also future-proof. That's built not just for this administration, but for American administrations in general, for both the congressional branch having a role as well as the executive branch. How do we bring all of that together?

And I think that the first concept, which is in some ways the overarching framework, is what we're calling the "Near Global Economy." And the concept underlying that is that globalism has had tremendous benefits, but open globalism of all parties – adversaries, allies, companies, and cartels – has weaponized the market against American actors that are seeking stability, open information, fair play, and the freedom to act. How do we build a system where we say, "You don't have the right to come in just because you have a flag and a seat at the United Nations. You earn your right by engaging in certain actions that use the power of markets to protect markets?" Not everyone is going to play in that sandbox, and not everyone will play in the same way. It doesn't mean that all of the adversaries are on the outside, but that there would be ramps towards an exit depending on the non-market practices or the repressive practices or the destabilizing practices of the regime in question.

And those – that capacity to say you earn your right at a collective table also provides, on the flip side, a positive gravitational pull towards allies that are aligned with the general vision of how markets need to function to be successful, how you build prosperity here in America and with allies. And building that allied core – the larger the allied core, the stronger the gravitational pull, and the more consequences for adversaries that say we won't play by the rules, that will engage in forced labor or invasions of our neighbors. These practices that are destabilizing, that make it impossible for markets to function effectively – corruption, illicit finance – all of these things need to be addressed in a systemic way that uses the power of economics to incentivize compliance with the economics. So, the Near Global Economy is one sort of concept.

To get there, though, you need to do two things. You need to bring allies on board. Economics is about companies engaging in trade with one another, generally over borders. The stronger that those trade connectivities are, the stronger the American economy is. So doing this in isolation makes no sense. You must do it with your allies. You need to bring in the parties that you want to trade with in a single system.

So, to do that, you also need to sever connectivity with adversaries. And this concept of ally-shoring that Elaine has been – devising the term and really being a leader on for five years now, is that mechanism: how we move our supply chains from adversarial vulnerability to allied strength. Some of those supply chains are going to come home to America because they have to for security reasons, but the opportunities for working with allies and strengthening allies and alliances as a result is vital. So, ally-shoring is another of these big ideas.

A concept of bringing new partners on that had been adversarial is a concept we call the "Economic Strike Force." We have these opportunities after the fall of the Cold War, in Arab Spring, in Myanmar in the democratic revival, where potential new allies are brought on board, but the economics are so – the economic headwinds are so strong that it's impossible for democracy to stay alive, for a market system to stay alive. Liquidity concerns, the idea of getting goods to market, simple things that America can help with and stabilize to give the opportunity for a new ally to come on board, is a concept we call the Economic Strike Force. Max Meizlish and I have written about it in the context of Venezuela; how do we provide the economic tools for Venezuela to pivot to a democracy that the oil majors are saying is a prerequisite for investment?

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And the final idea is this notion of the “Economic Pentagon,” which is not a building or a bureaucracy, but a concept. How do we bring the same level of integration and cohesiveness and strategic planning and tactics and operations needed for economic warfare within a single unified command center structure, whether that's a new agency – which is a big task and probably not the right mechanism – or just an interagency pathway? We don't, in the report, provide the – the – dictates as to what that needs to be, but we provide some optionality, again, of paths we can follow to – to get there, because right now everything is siloed and it's ad hoc and it's personality driven. It's dependent upon the people from this administration who are passionate but may not be there in the next administration. Building that – that cohesive structure to plan, to war game, to strategize needs to be a permanent part of the government structure. So, I'll – I'll leave it at that.

I will say, though, that the tools we're talking about are more than sanctions and statecraft. We have a very long list of – of them. In the appendix, we also talk about some of these – these elements here that are part of the positive tools of DFC and EXIM. I know we have representatives in the room that are pushing forward what American power can mean in terms of helping out industry overseas, helping out American business overseas. The transparency agenda is critically important. If we're going to go after illicit finance and the drug cartels and terror networks, we need to be able to have real, radical transparency into the informational context that allows law enforcement and national security to do its job and to see into how those financial flows are flowing. All of these pathways we can talk about in more depth, but I do want to acknowledge that that is correct. We are talking about much more than just punitive tools.

STROBEL: Thank you, Josh. That was a great summation.

Tom, you get to play the role of hard-headed realist – what's possible. Former CIA director Bill Burns used to talk in his public speeches about being in a “plastic moment.” And by that, he meant the world is changing, powers are rising, powers are falling, and there is a point where things can get done. And those moments in history only come every so often. Are we in such a moment? What do you think is doable in terms of legislation and also in the executive branch, or are there certain parts of this that you see as more doable than others?

HILL: Well, first, let me thank Josh and Elaine for the report. The report, I think, is important for not only its contents but its timeliness. I think we are in a – in a moment where these conversations seem to be happening more frequently, and big ideas need to be put on the table. Because I think, to your question, this administration is doing big things. And I don't know that they are doing it with a mindset towards the November elections, but it's clear that they came in with an idea of we will not be constrained by the – the ties of previous administrations, for good or for bad, but they are moving fast and breaking things. And I think it is relevant to the moment.

The – the problem set that you've outlined in this paper is multi-decades in the creation, and we are way behind in terms of responding. And an administration that would come in and want to tinker – to Juan's point about mantras, I remember in the Bush administration there was a lot of talk about “we do trade, not aid,” but the policy didn't really change. In fact, what I would argue is that over successive administrations, our economic policy, to the extent we had one that was linked up with our foreign policy, it was just sanctions. It was punitive. And I know Matt is here, Matt Zweig, who wrote many of the sanctions bills, so not to disparage his writing of sanctions bills, just Congress was doing a lot of sanctions bills. Up until this Congress, we were doing an average of two and a half sanctions bills a week. The administration doesn't need those authorities. A lot of them are messaging, the impact is minimal, and it's time to put positive inducements on the table.

And that's what this administration has done with what they've done at DFC, EXIM's Project Vault, State Department, what they're doing with PAC Silica and with Forge, formerly known as the Mineral Security Partnership. There are lots of big initiatives that they're just doing and they're not waiting for Congress to tell them “that's okay” or “let's codify that.” And maybe that's not the best approach, but they are seizing this moment in time. Whether they can continue that momentum post-November, I think depends, but there's no doubt that – that they were going to put it all out on the field from day one. And I think it was the right response given the threat that we face. I don't see a slower path being – meeting the moment.

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STROBEL: Thank you. I would argue it's – that they absolutely have used more economic tools than gone into the toolbox. The administration sometimes is a little scattershot in pulling tools out of the box and throwing them, see what sticks, but it's definitely a big change for sure.

HILL: For sure. And Congress wants to meet them there. I think Congress is very eager to try to catch up to where the administration is. We don't move as fast as they do, but there's a lot of energy and enthusiasm – I think even bipartisanly – on some sectors. Some – critical minerals is a great one. Shipbuilding. I think there's some bipartisanship where there's recognition that the problem is so acute that Congress needs to try to meet the administration where they are, rather than try to slow them down, and recognizing that things need to be coordinated, but also, we can't let perfect be the enemy of good here.

STROBEL: Good point. Let's talk about the big elephant in the room, or maybe I should say the big dragon in the room: China. I got a news alert just as we were preparing for the panel that China has invoked something – I think it's called the blocking law – and they've told five of their companies to ignore U.S. sanctions on oil being lifted from the Persian Gulf.

This is for Elaine or Josh. Are you – are we talking about decoupling here? Do you think decoupling's already happening? If there is decoupling, there's going to be some downsides to that separate from the positives that you've already discussed. Can you chat a little bit about that?

DEZENSKI: Yeah, I think that's a really important question. I've always felt that we're moving towards a decoupling. Does it mean that we don't have a trade relationship with China? No, we will, but it shouldn't include anything that's critical. And the question is, how do – how do we define what's critical? I think that's still a conversation in – in process, and where Congress may also need to weigh in to help articulate, what is this sort of strategic pecking order of critical supply chains that need to move? How do we make that determination? What is an appropriate percentage of dependency on any particular supply chain? Do we need to get to a point where China doesn't control 30 percent of a supply chain, or do we need to go down to a component or a subcomponent level? So, there's a lot of work to be done there.

At a more macro level, I think what we're seeing with – the – what you mentioned on the CCP saying, "Okay, no, you're not going – you're not going to observe any U.S. economic statecraft here around blocking," is – is actually what's good, because they're showing their hand. How far is Beijing willing to go using its economic tools, whether it's pushing back against sanctions or what we've seen very recently with respect to going after U.S. companies that are trying to decouple and saying, "We may hold you criminally liable for any activity that you take to move your supply chains." That is problematic at a very high level, but it's also instructive to see how Beijing is thinking about this, and clearly, we're pinching a nerve if they're worried to that point where they would pass a law that would impact market players in China.

So, it's all, I think, part of this process of understanding what are we dealing with here in this economic tension, and – and then what does that mean for our strategic outlook?

So, one question that we've been thinking about is, how long do we have? If we were to fully commit to a strategic decoupling strategy, how long do we have to move those supply chains and – and reduce that dependency to an acceptable level? Do we have three years, five years? Do we have 10 years? Or are we talking about a generational problem? Are we 20 years away from being at that point where we don't have those – those pretty significant dependencies?

STROBEL: What do you think? Have you come to sort of a rough...

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DEZENSKI: I think we're a little ways into the process. I think we have somewhere between five and eight years, maximum. I don't think we necessarily have 10, certainly not across all supply chains. And 20 years is going to be very, very difficult because the dynamics can shift so significantly. Demographic challenges, who knows what else. So, we have this period of time in the next few years to figure this out and get the wheels in motion. And then, how do we do it in a way that's future-proofed, right, so that the good work being done to move us out of these dependencies isn't contingent upon what comes next in an administration? Because the stakes are – the stakes are just too high here. So, I do think a lot of this has to be driven by the private sector as the ultimate decision makers around supply chain pivots and capital allocation and – and limiting net exposure.

So, this is a conversation that we have to take to a much broader discussion, with more – more people in the room. And we need to get serious about calling this out for what it is. Now, is there a possibility that we may be looking at some level of reform in China that might change the dynamic around all of this? I think that's not happening anytime soon either. And because of the way that they have doubled down on their export-driven model, they're going for broke here. It doesn't look like they're so interested in currency reform, in moving towards strengthening their domestic market. Maybe we'll see pieces of it here and there, but unless we see a significant change in that outlook, we kind of know what we're dealing with, so.

STROBEL: Yeah.

BIRENBAUM: So, I would also point out that in 2010, China cut off Japan from rare earths. We've known that this tool is – this weapon – is in the quiver of Beijing for 15 years. So why didn't we create better resilience for our supply chains in those years? We're behind the time, to – to Tom's point. We may have two or three years left under some metrics, but we're also 15 years behind. And so, catching up, particularly in critical minerals processing – some of these processing facilities and plants take decades to bring online – is a real challenge. And there is urgency, and the administration, to its credit, has really seen some of that urgency.

But there are strategic challenges because of the adversarial nature of China that must be dealt with now and immediately. But there's also integration that goes both ways. And so, while China makes 30 percent of all the stuff in the world, and might make 50 percent, and they make 100 percent of a lot of the critical minerals that we're worried about, they also deeply depend upon our consumer market, Europe's consumer market, Japan and South Korea's consumer market. They depend upon the dollar and the dollar system. They're building alternative financial architecture, but it's not built yet. And ultimately, it's valuable for circumventing sanctions with respect to Iran, but it doesn't help you sell goods in Europe. You need dollars. And the fact that we have this economic power that we leave on the table in a – in a conflict of this magnitude is malpractice.

And so, in terms of what's possible, you know, Congress needs to do work. They need to pass bills, and that's not always Congress's strong suit, and – but the administration is setting a pace that's fast, and they're building things that are innovative, but are not structured for multiple administrations, that aren't structured for permanent encapsulation into the American model of how the government unlocks the pathways for the private sector to do its job. And building that structure is something that needs to happen over the next year, two years, but it also is, to some extent, a generational challenge. We need to build big concepts into operation. And obviously we have some big concepts that would take maybe a decade to put into practice, but we also think that whatever comes next is going to have a real urgency in the short term and a long-tail requirement to build really serious mechanisms if we want the market system to survive.

STROBEL: So, what I hear you saying is that we have some time, but it's urgent that we get started.

BIRENBAUM: Absolutely.

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STROBEL: Tom, I don't know if this question is best for you, but forgive me – sort of a theoretical historical question. I earned these gray hairs by covering more than one or two administrations in Washington. I remember going back to President Clinton when he was elected, and he vowed to make economic policy more a part of national security policy and he made some bureaucratic changes. And I'm sure that had an impact. But my question is, why does the U.S. government not do this well – as well as we've should, economic security and national security as one thing?

HILL: I can't give you a singular answer that – that answers what I think is a very complex question, but I will pull on one thread of that, which is because it's where I sit in the House and the issues that I work on. This is one piece of what I see.

As – over decades, you've seen success of presidents pull authorities away from State Department, divorcing economic policy from foreign policy, and the husk that is left of the State Department is a bit adrift and unclear of what their mandate is. And the pieces of economic policy that got pulled out of State and either created new agencies or went to existing agencies has been a mosaic of activity that is uncoordinated, poorly resourced, and oftentimes an appendage to an agency that has an alternate mandate.

So, for example, the State Department used to, for 150 years, they – commercial diplomacy was diplomacy. In 1979, the decision was made to pull commercial diplomacy out of the State Department and put it at Commerce. Commerce is a domestic agency. Putting the commercial service – the Foreign Commercial Service – at Commerce put an international thing inside a domestic agency. The domestic agency piece is roughly 42,000 people. The international side is less than a thousand. That number keeps shrinking. The president's last two budgets have proposed over 51 percent cuts to that. The commercial service enterprise at Commerce is dying, and it's not just because of the last two budgets, but since 1980 the commercial service has been cut and cut and cut and cut. That's inconsistent with what the president is saying about how we have to put commercial diplomacy at the forefront of our foreign policy. But being at Commerce, it's – it's largely unaffiliated with what State Department is doing.

And you can see that in multiple other spaces. USTR used to be part of State. It got pulled out. So now you have trade policy that is divorced from foreign policy. Ag policy – Foreign Agricultural Service – got pulled out of State and put at the Ag Department. You can go down the line and see how our economic policy, which was – I mean, you could argue whether or not it was coherent when it was all at State, but at least it was housed in one bureaucracy. Now you have multiple agencies trying to do something in the international space, somewhat trying to do something that is commercial diplomacy related, but it's – it's an afterthought to whatever their core mandate is, and it doesn't work.

And so, I see a real opportunity to revisit the current architecture behind what our commercial diplomacy enterprise looks like; reconceptualize it for the challenge we face. It doesn't mean pulling everything back to State. That might not be the right answer, but certainly what we have, I think you'd be hard pressed to find a coherent argument that would say this works, or that this somehow makes us competitive with China. And so, we really need to – to – and I think the paper pushes on this door a little bit to say, "Hey, all of these pieces need to be better coordinated. They need to be brought in – into some kind of concert where they work collaboratively rather than as individual approaches." And that's – that's something where Congress can really play a role. And I think there is enthusiasm to start thinking about that. Certainly, within our committee, that's what we're working on.

And it's an area – again, it's not a panacea, this is not a silver bullet. Getting the commercial diplomacy architecture right will not make us instantly more competitive or leapfrog past China, but it's one of the many problems that impede our progress. And so, the ones we can remove, let's remove those and see if we can try to get things moving in the right direction.

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STROBEL: I've got just a couple more questions than we're going to turn it over to the audience, whose questions are going to be much more trenchant – penetrating than mine. And, if you'll forgive me, one sort of parochial question. I cover the U.S. intelligence agencies for a living. My sense is that in recent years, they spent more time both collecting and analyzing on economic intelligence and on technology – China's AI, quantum, et cetera – but it's still not their sort of, what's the word I'm looking for? It's still not their priority. And there's a culture where the number of tanks, number of missiles, insights, and political leadership, which are all important – but that's their focus. And one could argue that they – I would argue that they were slow to see the collapse of the Soviet Union because they were focused on the number of missiles and parades through Red Square and not the rotting of the underlying economy.

So that's a long way of asking, what role do you see for the IC here?

BIRENBAUM: I think that this is a fascinating question. And I think that the question of how we look at where our information comes from, in terms of the – the economic dynamics that are important for illicit finance, for terror finance, for companies to operate, and for adversarial movements right now is a bit of a hodgepodge. Companies do a lot of their own intelligence gathering. The government looks at a lot of numbers, but there's not an impulse to drive information forward. We look for information under rocks rather than insisting that the rocks all be turned over in advance and utilizing our power, our economic power, to demand a level of transparency in terms of financial flows, in terms of where funds come from for transactions.

If you read the FinCEN report on Chinese money laundering organizations, you have Chinese nationals coming into banks and depositing millions of dollars with no verifiable income and no capacity to ask them, "How?" How – especially when Chinese law says you can only take \$50,000 out of the country every year – how does every Chinese national student at Harvard pay their tuition if they can't bring that money out? That money is in an illicit economy, right? And we don't demand a level of transparency that benefits private industry, that creates the informational prerequisite for – for businesses to function, and that takes away this protection of – of opacity that our adversaries depend on. And those adversaries include terror groups, it includes drug cartels, it includes the CCP.

If you look at the level of sovereign debt around the world, the – the amount of sovereign debt that China has added through secret debt terms, undisclosed riders, terms that elevate Chinese debt over, above superior bond holders. That capacity to hide everything, and for the U.S. financial system and the U.S. government to not demand a more open system, is a failure of us to use our power effectively.

Juan Zarate is a – is a luminary in the idea of uncovering these financial flows. And if we're talking about the – the use of intelligence to sort of see where the money's going, the work that was done after 9/11 in the illicit financial space is some of the best use of intelligence that's – that's ever been out there. And you think about the – the military wars we've fought and the economic wars we've fought – well, the economic wars, the Cold War, the war on terror – our economic power is strong, and we've utilized it well. With good intelligence, good analysis, good game planning, good strategic thinking, it makes our power that much stronger. And you can see some of that in play in the Straits of Hormuz moves. You see it playing out in the dynamics with the China trade talks. And so, getting a better sense of that informational flow is, I think, a core piece of American power.

DEZENSKI: Yeah. I want to just build on that to talk about this question of – of intelligence and enforcement, because I think this is a major gap. When we're thinking about how to leverage work that's being done on war gaming or understanding our adversaries, understanding the economic dimensions of what China and others are doing, and connecting that back into the trade enforcement infrastructure that is housed in places like Customs and Border Protection, USDA, and elsewhere, that's something we really need to look at.

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I think there's a – there's kind of a fundamental problem with how we think about enforcement, particularly around our trading requirements, that is now being weaponized against us. And we need to think about the through line when we're gathering intelligence, when we're doing assessments, when we're building up our knowledge within the federal government of supply chain risk, transshipment issues, rules of origin, trade-based money laundering – all of these things that are happening where, you know, we may not have the visibility where we need it, or we may not have the connection between what we're capturing at the border and how that's influencing how we think about scenarios and war gaming.

So, I think we need a slightly different approach here. And having been through, you know, maybe a similar exercise post-9/11, when we were trying to think about this question of harmonizing our intelligence gathering and using it more effectively, what has really changed? Well, we do have more connectivity, but we may not have the framework around the threats and the risks that need to drive this intelligence gathering in a slightly different way. And then I would add to that, we need more private sector capacity in the U.S. government to understand market dynamics. This has to be part of the intelligence gathering in a way that maybe we weren't thinking about, but need to think about now, given what's at stake, particularly with China.

STROBEL: Absolutely. Thank you. Last question from me, because we really do want to get to the audience questions. And Tom, if you could start this one off, but anybody who wants to jump in. I'm going to be a little adversarial here for a moment, not partisan but adversarial. We talked earlier about – well, one of the key findings here is ally-shoring, which I think is very important. And we talked about how Trump and his administration are using all these different tools, maybe more so than recent administrations, but he has also – I would argue, and I think most people would agree – at times – what's the word I'm looking for – angered, disaffected our allies, whether it's one in Greenland, whether it's tariffs that are up here one day and down there the other, whether it's getting angry at Europe and NATO for not getting involved in the Iran situation without having asked them, you know, at the start to get involved in the Iran situation.

So, what I'm leading up to is, is there some repair work that needs to be done here in order to ally-shore?

HILL: I don't know. I think it's a case-by-case basis. And in the conversations that I'm privy to between Congress and other nations, there's general recognition about the problem, and on the issues that we bring to the table that we want to work with our allies on, there's great enthusiasm. So critical minerals is a great example. For whatever else might be happening in bilateral, multilateral relationships, there is a lot of energy behind trying to solve the supply chain, international diversification – critical mineral supply chains ex-China. Everyone knows that's a problem. Everybody wants to work on it, and everybody agrees that creating some kind of economic ecosystem where we can have guaranteed offtake and price floors and we're able to find processing that is outside China – everyone wants to work on that. So, there's no shortage of interest in solving some of these. Now that may not apply in some other sectors, but the ones I work on, I don't see whatever else is happening causing collateral damage to what I think are real, almost existential questions that we're trying to wrestle with.

STROBEL: Either of you want to jump in on that?

BIRENBAUM: Yeah. So, I think that – I think that Trump has a personality, and that has impacts in geopolitics. But what we're talking about is building something that is viable for the long term, and that needs to look at things from a higher level. I think that there is something to the idea that an ally isn't just somebody that you had a military agreement with 80 years ago, and that we can just assume that that means everything's okay. Europe is a huge strategic partner and should be, but right now their approach to China is dangerous for the American economy. If we had them within the Near Global Economy, their openness to Chinese dumping is a real problem, and their incapacity politically to address that is something that needs to be dealt with.

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On the flip side, sometimes the statements of politicians just don't matter in the scheme of things. And Mark Carney and Canada may want to pivot to China and Qatar, but business is south of the border, and that's going to drive dynamics that are much longer in their time horizon than this administration or the Carney administration. So, I think that there are some pieces of this where we're talking about private sector dynamics here, and ally-shoring is a private sector effort. I think there's a government role in clearing obstacles and fostering an environment that allows it to happen, but if companies don't get their supply chains cleaned, then once China cuts off one component or one rare earth, they're going to be the ones feeling the pain, right? So, there is a need to build the systems that are bigger than the personalities involved.

DEZENSKI: Yeah. I'll just add one component to that, which is 2026 is a big year for North America. And we have...

STROBEL: Are you talking about the World Cup?

DEZENSKI: I'm talking about – yeah, that for sure. But maybe since we don't have any games here, it's more about the USMCA and the – the review of trade alignment that probably goes a little bit further than any other trade engagement that I can think of around the dynamics of what we talk about as the Near Global Economy. The USMCA is not the exact blueprint for the Near Global Economy, but there are so many things that work about North America as a trade alignment that I think the world will be watching to see where we go on this and how we think about North America. We've used this term "fortress North America" as a way to really reframe the USMCA as a – an economic integration dynamic that has been pretty valuable for all three countries. If we don't get that right for North America, I don't know how we set the right engagement strategy for driving something like a Near Global Economy.

So, I don't know if Josh agrees with me on this, but I think that this is kind of pivotal, and we have to think about the – the level of economic integration that's been built over the last 35 years and now where it needs to go to address a changing dynamic, a lot of economic considerations. Mexico has a huge problem with China as well, and it is something that needs to be discussed in the context of the USMCA. So, I don't think it's business as usual. It's an opportunity to think more broadly, to think about enforcement, to think about some of the core principles that we should use to guide what is the most important trade alignment – I would argue – for the United States.

STROBEL: Josh and Tom, your remarks remind me of something that I've sort of learned painfully over the years, which is there are often diplomatic or political crises up here, which people in my business focus on, but down here on issues of intelligence, law enforcement, economic cooperation, the worker bees, as it were, get the work done in there.

So, with that, it's – would really love to hear from the audience. And I would only ask that you state your affiliation and ask a question, not make a speech. Thank you. Right here on the aisle.

TEUBL: Hey. Hi, guys. Great work here. Really interesting. I've been engaged with you guys for a little while on this now, and it's been – it's been fun to watch. I'm at the Export-Import Bank, and I think one of the things that I am watching at this level is how do you envision the incentive structure kind of moving forward at the lower levels? I think, just like Warren was saying, the incentive structures at lower levels tend to be the things that drive these kinds of things forward. How do you, kind of – I think in the past, the reason aid was maybe easier was you could incentivize someone and get something done quickly because it was a lot fewer obstacles, and trade is more challenging by nature. How do you kind of incentivize some of these things to be used as kind of the first line of offense, and how do you kind of move the – the ball forward?

BIRENBAUM: So, I think that the entire concept of using the power of our markets to defend our markets needs to be using the incentive structures of market players to reaffirm the economic security of America and its allies. That's the core goal. If you try to do this by laborious government intrusion or an economic policy that requires you to take ownership of huge parts of our economy, you're going to fail for the same reasons that China's economy at an underlying level is incredibly weak and fragile. You need to find the path to say, "Here are the dynamics that makes – that make prosperity happen. Here are the preconditions," and build the incentive structures that yield that in the trading dynamic.

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So, in terms of what informational exchange needs to happen to make market players work, well, we need to move away from paper manifests and – and these poor information environments, to incentivize a system that says, "I can see what my counterparty is and where the money is coming from." You need to have a greater sense of supply chain visibility, which incentivizes people to get forced labor out of the end of their supply chain that may be happening in Xinjiang. You need to incentivize the systems that allow the – the mechanisms of the market economy to take over. Because I think that you're right that aid can be deployed like that. Trade is a much more laborious process to – to turn, but once it turns, the incentives drive it forward on its own. And that's one of the reasons it's so powerful.

To – to decouple from China, you need to know that your supply chain is in China, and that means going past your first tier, past your second tier. We haven't even required that of – of defense primes until very recently – to know that information and to get rid of the elements that are allowing China to use non-market practices that give them the advantages that lead them to make 30 percent of all the stuff. To create that system is – is not really – it's a set of – of frameworks that realign incentives towards market principles and creates barriers and tariffs and the connected vehicle rule to keep out the people that are cheating at the market base rules. And once you do that, again, you create a gravitational pull where it is using what makes the markets so effective, which is that they are sort of self-cleaning mechanisms if they're operating right.

STROBEL: Ian.

TALLEY: Ian Talley from *Kharon*. Thanks for having me here. Warren sells himself short on knowledge of things.

So, to buy into this systemic argument – the need, the gains, the reasoning on a fundamental national security sort of basis – requires knowledge, and it requires transparency, as you say, and it requires enforcement. And I also think I heard you say we need to do this, you know, 10 years ago, we need to do it in the next couple of years – it's a big project. I see the rationality for it; it's very clear. But when I look at the signals that are being sent on transparency, whether it's coming out of Treasury or even on the Hill in terms of corporate transparency, when I look at Russian trade data being better than U.S. trade data oftentimes – what? When I see the signals on enforcement that are being given that question the – the knowledge, right, that there is this sufficient knowledge to be able to see why this is a good argument. So, I bring it back to this question of how – is that assessment sort of accurate, and how can you convince – how can you make this argument when there are these signals being sent going in the other direction?

DEZENSKI: Yeah. Thanks, Ian. It's – I think you're asking a fundamental question, and I think I can speak for both of us – probably the entire team, Juan as well – that the transparency agenda is a huge concern. Huge. And it is inconsistent to say that we will solve the problem of cartels and trade-based money laundering and other criminal activity in the financial system without having corporate transparency. We will not get there unless there's another tool that we just haven't discovered yet, right? So, we've been pretty consistent on the need for the Corporate Transparency Act to be fully enforced. We know that's not what is happening right now. We know that's not where the conversation is, and it's not really a popular thing to say, but until we start breaking down the trans – system of opacity that we have built up over many decades, we will not be able to solve for these challenges. So, this is impeding our enforcement activities for trade without question.

It's impeding the banks' ability to identify illicit finance streams and where our foreign adversaries have repeatedly used shell corporations to purchase real estate and other American assets. We simply can't tolerate that. So, I think that's why we wanted to call out transparency in this report to a pretty high degree, to just continue to keep that conversation going. Maybe there are other ways to get there. Maybe we need to think more broadly about what's palatable.

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But, you know, one of the big arguments right now – I'll just stay on corporate transparency for a minute – is that it's just too burdensome to ask companies to declare who their beneficial owners are, the natural persons behind corporate formation. I have an LLC. It took me 10 minutes to register. 10 minutes. It's not a burden. It took me longer than that to, you know, figure out my W2 strategy this year, I mean...whatever. So sometimes I think there's a tendency to hide behind this idea that, oh, this is too burdensome, when in fact there's really not much to support that. So, you know, I think we just need to continue to move, and we need to think about the alliances required to start breaking down some of these impediments, particularly when it comes to the transparency agenda, which sometimes sits over on the margins. We see it as an anti-corruption problem, you know, coming out of the human rights tradition, versus a problem for how markets are operating, and we will not get to efficient market dynamics unless we deal with problems of trans – lack of transparency.

BIRENBAUM: I just want to add quickly that all of our adversaries depend for their survival on opacity. All of them. And transparency is – we say this all the time – transparency is often thought of as a shield. Transparency is a sword. It is one of the most effective national security and law enforcement weapons we have, and to underutilize it the way we have is tragic. There are concerns about privacy. Those are legitimate, and there are solutions for them that have nothing to do with avoiding transparency. Being able to utilize the tool of transparency is one of the greatest opportunities we have to bring the fight to the very people who are causing the market dynamics that we're worried about, that are pushing fentanyl into America, that are driving terror throughout the Middle East, and bringing FARC – a resurgent FARC back into Colombia. These are national security imperatives.

STROBEL: Right here in the middle.

MEIZLISH: Thank you. I'm Max Meizlish. I'm a research fellow at the Center with Josh and Elaine. I appreciate that at the beginning we had this emphasis on moving past just the coercive tools, but if I can press on that for one question.

Tom, I think that Warren had designated you as being the realist for – for today's panel. So, I'm just curious. I – the other day, the comptroller for the Pentagon testified before Congress and said that it's cost about \$25 billion thus far for two months of fighting the war in Iran. And I ran a rough calculation that showed about \$3.4 billion being spent over the last 10 years on OFAC, on FinCEN, TFFC, and other elements within Treasury focused on these coercive elements of economic statecraft. And so, I know that you're not handling appropriations necessarily – but can you help us think through what is the right way to think about resourcing these functions? How do we create that conversation in Congress to address the budgetary issues when in two months, we're spending \$25 billion and over 10 years we're just – excuse me – spending \$3.3 billion?

HILL: Yeah. Well, let me say at the outset, I don't do oversight of Treasury. That's my colleagues on the Financial Services Committee. But resourcing is a huge problem across this space. Look, we just did the reauthorization for DFC last fall, and we authorized them at \$5 billion. That was a massive uptick in the authorization. Now, they weren't appropriated at \$5 billion, but if you follow Congress and you look at authorization processes, a \$5 billion authorization is like unheard of in the foreign policy space. So, there is a general recognition – and I will say that that \$5 billion, nobody batted an eye at that. There – nobody said, "Oh, that seems like too much money." So, I think there is general recognition that these enterprises need more funding, more support.

And no doubt at Treasury, from what I know from a distance, it's grossly under-resourced to do the job that we are asking them to do. And I think the paper alludes to some ideas where some of this can now – some of that work can be done through AI, but they're going to have to have more people. They're going to have to have more experts at Treasury doing a lot of this work, but it's true across all of these. So, I 100 percent agree with you that we want to resource the positive inducements, the tools in the toolkit, to be more effective and efficient. And I actually think that what you're seeing in Congress right now is enthusiasm to do that. It's just slow.

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I think you'll – you'll see – one space to watch is the Defense Production Act, which is going through reauthorization right now. That's going to go through Financial Services Committee as well, but I would keep an eye on that and see what does that look like. It could be enormous. EXIM is also similarly going through reauth right now through Financial Services. What is that going to look like? And I think those are good indications, or windsocks, for where there is enthusiasm to put resources behind these tools. My understanding is that both DPA and EXIM should see significant congressional support from most corners of this.

So again, it's probably not enough. We're probably not going to solve it all in one fiscal year, and it is slow, but there is enthusiasm and there is a recognition that we need to do more. And I think the paper actually outlines some ideas about the idea of an Economic Pentagon – about how you might start to bring some of these pieces together and share resources in order to work in a more cohesive way. And I think that makes a lot of sense. And our conversations are not yet about an Economic Pentagon on the Hill, but there's certainly a recognition that the scattershot of people working on these issues across 15 agencies – that's not the right way to do it.

STROBEL: I think we have time for one more question. This gentleman in the front had his hand up for quite a while.

IRVING: Thanks. Geoff Irving. Thanks so much for this report. I want to say it really builds along a line of thinking in these circles that is very helpful, on top of the CFR, Doshi Allied Scale, the Rob Atkinson ITIF, National Power Industries. So, I think it's really helpful to get the scale of thinking to push this line of thinking forward. I'm specifically encouraged to see import restrictions listed here next to export controls. I think the primary knee-jerk reaction for much of economic statecraft goes to export controls, which in my opinion structurally make less and less sense if we're a huge net importer and have the massive tool of our consumer economy. You mentioned the CV rule with a little bit of bias. I was wondering, now six months on from Ms. Dezenski's testimony about the rule, if you see it in implementation, or how do you see it being a model that can be proliferated, supported, or used to achieve the goals that you have in this report?

DEZENSKI: Yeah. Thanks for bringing that up. Do you want to – I know you've been following this.

BIRENBAUM: So I – I think what we need to remember is that the – the Chinese Communist Party has passed a law that says that any Chinese national or any Chinese business operating anywhere in the world must turn over any information they gather to the party upon demand, which means that all intelligence gathering that's happening – you don't need spies because your Volvo's LiDAR is picking up a mapping of everything it drives around, every military base, every installation. And that level of surveillance that is being weaponized against us today is something that cannot be addressed simply with tariffs. It can't be addressed just with the USMCA, that has a rules-of-origin system that allows China to just set up a factory in Mexico and import as if it's US, or that there's a substantial change, but the surveillance capacity is still built in there. Building rules like connected vehicles that – that get to the concept of where the risk is in these technologies, in these surveillance mechanisms, is a core priority, and we need to build an economic system that incentivizes that, right?

And building a system that says "we are going to ally-shore our supply chains out" needs to be counterbalanced with "here are the prerequisites for what comes in. Here are the prerequisites for operating a business here, and the barriers that you must put in place to ensure that U.S. consumers are not having their data turned over to the party." So again, one of the things that the report tries to get at is we need innovative tools to do this stuff. We need Treasury secretaries saying, "How can we use swap lines in ways that we haven't used them in the past?" We need the Commerce Department to think about, how do we push forward new thinking on new types of rules? And we need Congress to create a pathway to allow those innovations to happen, but also to work for the long term, with guardrails so that they're not subject to abuse or politicized in specific ways.

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That's a shift in thinking. It requires innovative people in the various branches of government, but also involves a conversation that we need to have with the American people that says, "We are in an economic war that requires us to think in different ways, and we're going to ask for you to support a flexibility and an innovative approach to how we govern and how we utilize tools that allows us to use the power we have at our disposal to build a system that's built for our prosperity." And that's – that's a shift that I think is happening and needs to have happened 15 years ago.

STROBEL: I think we're going to have to unfortunately leave it there. Okay, one more question – scratch that. If there is another question.

JOHNSTON: Maybe a quick one. What do you see – recognizing that we have two different answers – Rick Johnston, Citibank. What do you see in terms of the recognition of the different economic systems between China and the US? Do you see any hope in this, a board of trade, maybe a board of investment, wherein those systemic differences are recognized, and it's very managed trade that could help sort of reduce the tensions?

DEZENSKI: I think there's probably some potential for that. I just don't know if it's going to get us all the way, you know, to a situation of de-risking to a point where that's allowing us to have domestic production where we need it, to rely on allied supply chains. You know, I think one of the risks is that we continue to compromise in a way that gives Beijing some leeway to say, "Well, we'll work on that. Well, we understand. Well, we weren't trying to create an export problem. We weren't trying to create overproduction, so we'll – we'll work with you on that." So, I think that's a real challenge.

We need to – and I don't know exactly what's going to be on the trade agenda for the upcoming summit in Beijing – but, you know, that would be a prime opportunity to put down some of the core elements of, you know, what is required to – what would we demand on a reset of these non-market practices where we could accept that, you know, this trade relationship could go in a better way? I don't think that's going to happen. I think it's going to be a different kind of discussion and negotiation, but I think that the risk is that we may end up in this sort of no man's land of recognizing that we have two systems that are butting up against each other, but not really taking the hard decisions to say, "All right, we're done with this. We need to go in a different direction." And to Josh's point, it's true that there's almost zero conversation with the public about all of this. It's a policy conversation, and it has to move beyond this group or some expanded group. It has to move to a conversation with the American people about exactly what these trade-offs are, because decoupling will not come for free.

BIRENBAUM: The other point to think – I think trade will continue with China. Trade should continue with China. Trade with China is vastly mispriced. They take all sorts of shortcuts. They may steal a little IP here and there or dump some slag into the drinking water of a village they don't care about, and they give themselves market advantages that we can't and should not compete with. You can reprice that and say, "Okay, you can compete with us, but at your price plus 80 percent, plus whatever that number is, and here's a little penalty as well, because we want to disincentivize that practice."

But if you think about forced labor – if you want to eradicate forced labor from supply chains, and we should – forced labor is a moral outrage, and it is a non-market practice because the companies that have free labor have a price advantage over American workers. We should not be paying our workers \$0 to make the goods. We shouldn't move to their model. So just driving with a market system, you will always lose in that dynamic, but you can do two things. You can require that U.S. companies look to the end of their supply chains so that they know when they're exposed to forced labor and they can eliminate themselves. That stops forced labor. And you can say, "There's no longer an economic advantage that you get, China, because we're going to reprice forced labor."

And that capacity to say you can be engaged with the Near Global Economy, but you're not in the core – I think that's where we're going. How do we build a system where the core players have strategic advantages, and that the farther you are from that core, the harder and harder it is to sell, but you're only on the outside of the wall if you are completely destabilizing the global environment in some magnificent way?



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STROBEL: This has been a fabulous discussion. I feel like – people always say this, but I really feel like we've only scratched the surface on a lot of these topics. Thanks again to FDD for having us. Thank you, Juan. And how about a round of applause for our panelists?

END