

Remarks by Secretary of the Treasury Janet L. Yellen on the Biden Administration's Economic Approach Toward the Indo-Pacific

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Good afternoon. And thank you to the Asia Society for hosting us today.

I'll start with the big picture. First, the United States began as an Atlantic nation, but we have long been a Pacific one as well. We see this clearly in California, where President Biden and I will head later this month to host APEC Economic Leaders' Week, and where I've spent much of my professional career. In California, as elsewhere across the country, our ties to Asia are evident—from the influence of the over half of California's immigrant population arriving in the past decade who were born in Asia, to the competition and collaboration with Asia driven by Silicon Valley over decades. Second, the Indo-Pacific region is at the center of the 21st-century global economy. The region contains half of the world's population, and it is generating about two-thirds of global growth. I've seen this economic strength and dynamism firsthand as Treasury Secretary in my trips to India, Indonesia, South Korea, Vietnam, and across the region.

Recognizing this big picture, the Biden Administration is pursuing an approach to the Indo-Pacific that furthers our country's long history of engagement and does justice to the region's importance for our and the world's future. As President Biden laid out in his Indo-Pacific Strategy, the United States is committed to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient. The Administration is working to tackle challenges and seize opportunities, including securing our supply chains and supporting American workers. To spur growth, we are deepening economic integration and harnessing technological transformation. To build resilience, we are partnering across the region to address climate change and strengthen health systems. And in response to threats to human rights and international law, we are standing up to economic coercion and strengthening accountable democratic governance.

Our economic ties underpin our approach to the Indo-Pacific. So, in my remarks today, I'll highlight three priorities that are shaping an economic strategy in the region that is fit for this current moment: increasing trade and investment, bolstering our economic resilience, and cooperating on global challenges. And I'll outline how we're advancing these priorities through strategic, and intensifying, multilateral and bilateral engagements. Growth and innovation in the United States help drive the dynamism in Indo-Pacific economies, while trade and investment between the U.S. and Indo-Pacific benefit people across all our economies, including American communities and workers. As we look toward APEC later this month, let me state unequivocally: Claims that America is turning away from the Indo-Pacific are wholly unfounded. We are deepening our economic ties across the region, with tremendous potential benefits for the U.S. economy and for the Indo-Pacific.

I. OUR ECONOMIC PRIORITIES

First, the Biden Administration is committed to expanding our trade and investment with Indo-Pacific countries. Trade between the United States and the Indo-Pacific region has steadily increased over the past decade, reaching \$2.28 trillion in 2022. It has increased over 25 percent since just 2019, despite a pandemic dip. Indeed, trade in most sectors recovered to pre-pandemic levels by 2021 and then continued to grow. Trade in computers and electronic goods reached about \$435 billion in 2022, including both significant imports and exports of electronics—the result of complex, integrated supply chains. In total across goods and services, the U.S. exported about \$770 billion to the region in 2022. That's almost one-quarter of our global exports. And U.S. direct investment in the Indo-Pacific reached \$866 billion in 2021. In parallel, the U.S. benefits from \$956 billion in foreign direct investment from the Indo-Pacific.

The economic case for our expanding trade and investment is clear. The Indo-Pacific is a dynamic and rapidly growing region. As it grows, we gain a fast-expanding customer base for U.S. firms and workers. So, trade boosts production at home to serve these export markets, enabling American businesses to scale their operations and create more jobs. And jobs at export-oriented firms tend to pay more, helping generate solid, well-paying career options. For consumers, trade drives lower prices and increases choice.

Of course, how we pursue greater economic integration with the Indo-Pacific also matters. We are focused on creating a level-playing field for American workers, so that trade and investment with the Indo-Pacific continues adding to the several million American jobs it

already supports. And we are pursuing economic integration while still protecting our national security interests through targeted actions where necessary. Looking ahead, increased trade and investment with the Indo-Pacific will continue to support more growth and more jobs at home, and it will fuel growth and employment in the Indo-Pacific as well.

Second, we see economic engagement with the Indo-Pacific as crucial to bolstering our supply chain security. Our critical supply chains are too vulnerable to risks, as the disruptions during the COVID-19 pandemic revealed. So, along with massive investments at home through the President's economic agenda, we're pursuing an approach I've called friendshoring: seeking to strengthen our economic resilience through diversifying our supply chains across a wide range of trusted allies and partners. Across the Indo-Pacific, the Administration is pursuing multilateral engagements to better coordinate supply chain efforts—from monitoring supply chain disruptions to responding to supply chain crises. And we're making supply chains a focus of our bilateral engagements as well, such as with Vietnam. At home, greater supply chain resilience provides stability for consumers and helps ensure that our country's economic security is not unduly reliant on just one country for many critical inputs. And achieving resilience through partnering with Indo-Pacific countries means gains for Indo-Pacific economies as well.

We're starting to see the impacts in the data. Across sectors from auto parts to electronics, the U.S. is importing more from key partners like India and Vietnam, as well as from Mexico, and is less dependent on one single country, in this case, China.^[1] As I've just noted, we are trading in substantial and rising amounts with the Indo-Pacific, so these shifts do not mean less trade, just a different pattern of flows of goods and services. We're generating diverse and secure supply chains, protecting our national security and advancing our values while growing economies across the Indo-Pacific. Many firms are recognizing the benefits of multiple sources of inputs and production and diversifying too. And the shifts we're seeing also reflect other dynamics. It's natural that a richer country would less often serve as a base for final assembly. So, China was always expected to see shifts in its export patterns as it grew richer, just as Japan did in the 1980s.

Finally, as a third key priority, economic engagement with the Indo-Pacific is needed to address the urgent global challenges of our time. The Indo-Pacific region is highly vulnerable to climate change. A significant majority of the region's population is dependent on the oceans. And Pacific Islands face the increasingly likely possibility of losing land due to sea level rise, with severe potential consequences for their people and economies. The

interconnectedness of our economies and our shared goal of a viable future on this planet leaves us no choice but to support Indo-Pacific countries in addressing these challenges and realizing the opportunities of the energy transition.

II. OUR MULTILATERAL ENGAGEMENTS

Looking forward, we will build on what we've accomplished so far and continue advancing our priorities, including through strong multilateral engagements with Indo-Pacific countries. I'll highlight just a few examples.

To begin with, President Biden has continued to strengthen collaboration with Australia, India, and Japan through the Quad. Consistent with the key priorities I've outlined, the Quad is increasing cooperation across our export credit agencies and linking executives and investors to foster co-investment in critical technologies. It's identifying and addressing gaps in key supply chains for the clean energy minerals and technology we need to bolster our resilience. And it's providing technical assistance to address climate vulnerabilities. We're seeing significant benefits for our economies, and for the Indo-Pacific.

Collaboration with the Quad complements our work through other multilateral groups—from ASEAN to the Pacific Islands Forum. The United States of course also plays a very active role in APEC and we are proud to be serving as its host this year. And in May 2022, we launched the Indo-Pacific Economic Framework for Prosperity, or IPEF, with 13 other countries. Together, we account for 40 percent of global GDP and 28 percent of global trade in goods and services. And we are writing new rules for the 21st-century economy, from trade, to tax, to supply chains, to clean energy. Last May, IPEF members concluded a landmark Supply Chain Agreement that will provide a framework for deepened collaboration and coordination, including through new commitments on information exchange, regulatory transparency, collective responses to disruptions, and upskilling and reskilling workers. The agreement aims to support Indo-Pacific economies while facilitating a reliable supply of critical goods so that American companies and workers have the key inputs they need to operate without disruptions. The agreement also advances our values, such as through setting up new mechanisms to ensure respect for labor rights.

And we are also pursuing multilateral efforts with the Pacific Islands to address global challenges. President Biden welcomed Pacific Island leaders to Washington for a summit in 2022 and I was glad to be able to join for a second summit this year. We're collaborating with the Pacific Islands on ways to strengthen economic resilience against threats to macro-

financial stability, including climate change, such as through our efforts to increase the scale, speed, and effectiveness of climate finance and our call to evolve the multilateral development banks.

III. OUR BILATERAL ENGAGEMENTS

Our multilateral engagements are just the start. We are also advancing our key priorities through extensive bilateral engagements. I'll begin with our approach to Asia's largest economy, the People's Republic of China. We know the U.S.-China relationship is among the most consequential in the world. We need to get it right—for Americans and for people around the world, including across the Indo-Pacific. That begins with a serious, clear-eyed economic approach.

As I've said, the United States does not seek to decouple from China. A full separation of our economies, or an approach in which countries including those in the Indo-Pacific are forced to take sides, would have significant negative global repercussions. We have no interest in such a divided world and its disastrous effects. And given the extent of economic linkages within the Indo-Pacific region and the complexity of global supply chains, it's also simply not practical.

Instead, we are de-risking and diversifying, by investing at home and strengthening linkages with allies and partners around the world. We've put forward a vision of the world grounded in values we share with these allies and partners and in which there is also a healthy and stable economic relationship between the United States and China. To advance this vision, our economic approach to China will continue to center on three main goals. First, we are securing our national security interests and advancing human rights. These are areas where we do not compromise. But when we take national security actions using economic tools, we do so in narrowly targeted ways, such as with President Biden's Executive Order on outbound investments, aimed at accomplishing our national security goals, not choking off growth in China. Second, we are seeking a healthy economic relationship that benefits both sides. This means responding appropriately to China's unfair economic practices, such as non-market policies that disadvantage American firms and workers, the barriers it imposes to market access, and its use of economic power to coerce vulnerable trading partners. Third, we are working to collaborate on the global challenges of our time—from climate change to debt distress in low-income countries.

Successfully pursuing these goals depends on deep and durable communication with our Chinese counterparts to prevent misunderstanding and clarify our areas of agreement and

disagreement. In July, I visited Beijing to meet China's new economic team. The visit led to the launch of Economic and Financial Working Groups, which provide ongoing channels to discuss macroeconomic and financial policies, work towards specific goals, and ultimately put our relationship on a surer footing. Each Working Group recently met for the first time.

But, of course, advancing America's priorities in the Indo-Pacific requires much more than a China strategy. Across the Indo-Pacific, we are rebuilding and strengthening older alliances and investing in newer partnerships. I'll address just a few of our partnerships with countries I've visited during my time as Treasury Secretary.

With South Korea, which I visited in July 2022, and Japan, which I visited then and again last May, the Biden Administration is pursuing collective efforts to bolster the resilience of our respective supply chains. Our partnership was strengthened by the inaugural Trilateral Leaders' Summit this past August and we look forward to holding the first Trilateral Finance Ministers meeting in the coming year.

We're also advancing our priorities through our bilateral relationship with Vietnam, which I visited last July. Since then, U.S.-Vietnam relations have been upgraded to a Comprehensive Strategic Partnership. And it's an especially promising moment for the U.S.-Vietnam economic relationship. Trade with Vietnam has grown at an annual rate of nearly 25 percent over the past almost three decades, reaching over \$140 billion in 2022.

Vietnam also plays a growing role in the global semiconductor supply chain. This is exactly the opportunity our friendshoring approach positions us to act on: We can bolster America's supply chain resilience while advancing common values and growing our and partners' economies. In addition to its far-reaching domestic investments, the CHIPS Act created a \$500 million fund for international investments. In September, President Biden launched a landmark semiconductor partnership with Vietnam. We're incentivizing American companies to invest in Vietnam, from Amkor Technology's launch of a test and assembly plant last month to plans by Synopsys and Marvell for new semiconductor design centers. And we're pairing financing with more holistic support, such as workforce development initiatives in collaboration with the Government of Vietnam and the private sector. This will support workers in Vietnam. And it'll help create good jobs for Americans elsewhere along the semiconductor industry value chain.

Our economic partnership with Vietnam also extends to addressing global challenges. Leaders from Vietnam and the International Partners Group, including the U.S., announced a Just Energy Transition Partnership, or JETP, in December 2022. This partnership will support

Vietnam in delivering on its ambitious targets to transition away from fossil fuels to clean energy. Vietnam is actively working on the first step of JETP implementation with the development of a Resource Mobilization Plan, and we look forward to marking meaningful progress at COP.

I'll end with India, the world's largest democracy, where I've personally traveled four times in less than one year, including for our annual India-U.S. Economic and Financial Partnership, or EFP. The United States is India's largest trading partner. Our bilateral trade exceeded \$190 billion in 2022. Our goods exports grew by almost 20 percent between 2021 and 2022; our services exports by 40 percent. We are working to build supply chain resilience. We launched an initiative on critical and emerging technology, on which we're also pursuing dialogue with Singapore. The U.S. and India are also collaborating on key challenges. During its G20 Presidency, India helped advance our call to evolve the multilateral development banks, and we pursued joint work aimed at alleviating debt distress among vulnerable low-income and emerging market countries. Looking ahead, we will continue to further collaboration, including through planning to host India for the next round of EFP meetings in early 2024.

IV. CONCLUSION

I'll conclude by returning to the big picture. The United States has long been a Pacific nation, and it is abundantly clear we remain one today. The Indo-Pacific is at the center of the 21st-century global economy, and growth and innovation in the United States, paired with our engagement in the region, is helping realize its tremendous potential. From the Quad to IPEF, from Vietnam to India, we are increasing trade and investment, bolstering our supply chains, and addressing global challenges. And at APEC later this month and far beyond it, we will only continue to expand and deepen our engagement. Jobs and security at home in the United States, the growth and resilience of Indo-Pacific economies, and the strength of our global economy depends on it.

Thank you again for having me here today.

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[1] See, e.g., https://www.kansascityfed.org/documents/9747/JH_Paper_Alfaro.pdf.

