CHINA IN THE WORLD PODCAST

Host: Paul Haenle
Guest: Steve Hadley

Episode 100: The 100th Episode: New Realities in the U.S. China Relationship
January 18, 2018
CTC 0:01
From the Carnegie-Tsinghua Center in Beijing, China, this is the China in the World podcast hosted by Paul Haenle.

Paul Haenle 0:28
Hello, and welcome to the hundredth episode of the China in the World podcast. We have a special episode for you this week to commemorate five years of conversations with Chinese and international experts. We hope you've enjoyed our interviews on subjects ranging from U.S.-China relations, China-Russia relations, China's investments in Africa, China's relations with North Korea, the Iran nuclear challenge, the Belt and Road initiative, cyber, Taiwan and many more. If you're interested in looking back at our most popular podcasts, I encourage you to check out the hashtag "China in the World rewind" on Twitter. For our 100th episode, we're fortunate to be joined by one of the most respected policy experts in the U.S. national security community, and our guest for the first episode of the China in the World podcast, former National Security Adviser Steve Hadley. Steve was the 21st U.S. national security adviser, serving in this position during President George W. Bush's second term. During President Bush's first term, Steve was the Deputy National Security Adviser under then National Security Adviser Condoleezza Rice. Steve has had a long career in law and defense in national security issues, including serving as the Assistant Secretary of Defense for international security policy in the administration of President George Herbert Walker Bush, and as counsel to the Tower Commission in 1987. He also served on the National Security Council under President Ford from 1975 In 1977. Prior to moving to China to open the Carnegie-Tsinghua Center, I had the honor and privilege of working for Steve at the National Security Council. I've witnessed firsthand Steve's keen intellect, unmatched integrity, and steadfast dedication that have earned him such a tremendous reputation over the years. So, without further ado, please enjoy the hundredth episode of the China and the World podcast. Steve, you spent a week with the Carnegie-Tsinghua center back in the fall of 2013 as part of our distinguished speaker program, and during that week, I interviewed you for the inaugural episode of the China in the World podcast. This is our hundredth episode and I'm delighted that you accepted my invitation to come back. I could think of no one better to do this recording, the recording of our hundredth episode, than you. Thank you for joining us.

Steve Hadley 2:55
It's an honor for me and it's great to be with you again.

Paul Haenle 2:59
I want to talk a little bit about U.S.-China relations. I'd like to talk a little bit about North Korea as well. But let me start with China. During your visit in October 2013, when you came out and were part of this distinguished speaker program, you spent a lot of time then discussing your views on a proposal that the Chinese leadership had put forward to the Obama administration, known as 新型大国关系 "xinxing daguo guanxi" in Chinese or "new type of major country relations" in English.
And there was significant debate at the time in the United States and in U.S. policy circles on how we should respond to this Chinese proposal. And the Chinese wanted the United States to consider adopting this proposal, and this term to define the relationship in the 21st century for the U.S. and China. More than four years later, this concept has mostly disappeared and the debates on China now seem very, very different. If you look at the national security strategy that the Trump administration just put forward in December, the administration characterizes China as "challenging American power, influence and interest, attempting to erode America's security and prosperity." It goes on to say that the competition with China will require the U.S. to rethink the policies of the past two decades, policies that were based on the assumption that the engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false. My first question, Steve—and I recognize this is a fairly sizable question—how did we get to this point?

Steve Hadley 4:53
So, the notion that by helping to incorporate China in the international system that somehow China would be benign, would basically, you know, follow us around like a like a dog on a leash, was never realistic. When a country emerges on the international system with the power, economic, diplomatic and other power that China now has, it is going to have its own interests. And we're going to be in a situation where we actually are in with some of our closest allies. We have competitive aspects with some of our allies, we have cooperative aspects. The trick is always, maximize the areas of cooperation, manage the areas of competition, standing up for our principles, and not letting those areas of competition become conflict or confrontation. That's what we really need to do with China.

Paul Haenle 5:52
There have always been challenges that China has presented to the United States, to our interests and to our values. They have always been there. Perhaps today, they are more pronounced maybe, because China is growing in power and strength. The Trump administration's national security strategy is correct in that China is challenging American power in some aspects, and that the competition will require the U.S. to rethink its policies. But do we need to move towards what it seems the Trump administration is doing, moving towards a more hostile approach to China? You talked about the importance of cooperation. And in the Bush administration, under which you and I both served, I served under you as national security adviser, we talked a lot about working with China on our areas of disagreement where we didn't see things right. And we didn't shy away from those. But we also talked a lot about the areas that we need to cooperate on, where we have common interests and build that cooperation. That was also an important part of the framework. I have not seen that yet in the Trump administration and it appears that we're moving towards a more hostile approach to China, more of a zero-sum game. And it seems that in many ways that may be self-defeating.
Steve Hadley 7:09
I don't see it that way. You know, Paul, you'll remember that one of the first things President Bush said about China in his campaign of 2000, which is now 17, almost 18 years ago, he said, when asked by the press, "I think China is more of a strategic competitor, then of a strategic partner." So, this notion that they're going to be competitive aspects of our relationship is not new. Secondly, I think "hostile" goes too far. In terms of where the Trump administration is. I think there are a couple things: one, if we thought that including China in the international system, and particularly the international economic system, would lead China to become a democracy like the United States—and people did think that giving Chinese people freedom to make economic decisions, they would demand more freedom to make political decisions—that certainly has not worked out, at least so far. And if that was the expectation, then that is probably not correct. Second, I don't think we had any choice but to include China in the international system, because the alternative would be for China to use its diplomatic and economic and an emerging military weight to build a competitive system, and an alternative system may be based much less on principles that are congenial to the United States and our interests. So, I think it was right to do so. But we have to recognize, thirdly, that there are some corrections that need to be made. China is a member of the WTO. Many people believe that it has honored the WTO in lip service, not in practicality. There is this asymmetry between the openness of the U.S. market and the European market to China, to trade and investment, and the increasingly closed Chinese market to trade and investment. That asymmetry has to be corrected. And thirdly, in that string of things under my third point, trade relations and some of these trade agreements do need to be modernized, and they did not work out the way we thought and that we intended. So, there are corrections that need to be made in this relationship. But at the same time, the Trump administration is already spending a lot of effort getting Chinese cooperation on North Korea, with some considerable success. So, I think to say we now have a hostile relationship with China is overstated. I think it continues to be what we should have realized it would have been probably 10, 15 years ago and we're not as realistic as we should have been. There are going to be competitive aspects and cooperative aspects. And the cooperative aspects are important because on issues like terrorism, proliferation, climate change and a stable international financial and economic system, China cannot produce that alone, the United States cannot produce that alone. Both of us need those kinds of outcomes. And they will only come about if we work together cooperatively with the rest of the international community. So, I still think we are fated as we manage the areas of competition, it is going to be in our common interest to focus on these areas of cooperation as well.

Paul Haenle 10:40
And to your point on the trade and economic relationship, a point that I make often here in China to our Chinese friends, is that whether if Hillary Clinton was president, or if Jeb Bush had become president, my sense is you would have seen a much tougher approach on the trade and economic relationship, saying that we need to address the imbalances that have risen up. And so, this is not something that was unique, actually to Donald Trump.
Steve Hadley 11:14
I remember taking a Chinese delegation here during the pre-election period to meet with Jake Sullivan. Jake Sullivan said very clearly, a top priority for a Hillary Clinton administration will be to address this imbalance of the openness of the market. So, you're exactly right. This is a problem that has emerged in the relationship and it was going to be addressed to whomever is president.

Paul Haenle 11:41
There are two elephants in the room as part of our discussion. One is President Trump, who in many ways represents a dramatic departure from past U.S. foreign policy and ideas on the U.S.’ role and responsibilities in the world. The other, of course, is President Xi Jinping, who is arguably an even more transformative and consequential leader here in China. For more than a century, China has viewed itself as being in a position of weakness, the sick man of Asia, where it's been riven by internal divisions, and in China's view, taken advantage of by outside powers. It's only in the last few years, really, that we've seen China begin to see itself as a much more powerful player in the world, beginning to edge toward becoming a peer and a competitor to the United States. And until recently, China held itself back. It followed this dictum that former Chinese leader Deng Xiaoping put forward, 韬光养晦 "tao guang yang hui," bide your time and hide your capabilities. Basically, the notion that China should keep a low profile on the international stage and maintain a strict focus on its domestic and economic development. We've seen a stark change in that account under President Xi, this period of "Hide and Bide" is over. How do you assess the objectives of the Chinese leadership? What is President Xi hoping to achieve for China? Does he want China to be a global leader? Does he want China to be a protector or guarantor? Is he putting China forth as a model? How do you see this evolution for China?

Steve Hadley 13:21
Well, there's a lot in that question, but again, I think we probably took false comfort in "Hide and Bide." I never felt particularly sanguine about that formulation, because if it's "Hide and Bide" until when? I think the notion was until China was a powerful country able to enter the world stage, so the notion that hide and bide was going to result in some kind of permanent Chinese reticence to play an international role was unrealistic.

Paul Haenle 13:58
Right and in some sort, in some senses, "Hide and Bide" allowed them to garner the strength and power.

Steve Hadley 14:03
And at some point, the question was, when would China feel comfortable enough to assert itself? And the answer with Xi Jinping is, that is now. The future is now. And so that's what we're seeing, China on the world stage. I think the most interesting move is the One Belt One Road initiative, which I think is probably the most significant strategic move of any country in this century. And it is an effort by China to project its influence west, and to use its excess capacity and infrastructure
to invest and build relationships and trade routes and communication routes to the West. And there are all kinds of reasons why that probably makes sense, in some sense to send a message to us that we can't bottle them up on the east from the sea. So, the question is, how do you respond to that? We can view it as a strategic threat and something that should be fought, which I think would be a mistake, because in fact, a lot of those areas need the infrastructure investment that China seems willing to do. So, a lot of Americans are saying, what we ought to do is, we ought to join with it. China has said that other countries and other companies of other countries can participate in One Belt, One Road, we should embrace it. We should join it, but consistent with our principles. That is to say, embrace it in a way that encourages it to meet international standards of transparency, of anti-corruption, to make sure that the projects actually benefit the countries and the people of the countries in which they are undertaken, and where they don't stand aside, but where they do, be willing to engage and cooperate. It's what we should have done on the Asia Infrastructure Investment Bank. We didn't. The rest of the world joined; we stand on the outside. I guess I would say one other thing. The United States, for its own interests, and to reassure our allies and friends in the region, needs to be present in the region: economically, militarily, diplomatically, politically. It's one of the reasons I, like a lot of other people, regret that President Trump declared that he was going to pull us out of the Trans-Pacific Partnership, because I think that would be a vehicle for engaging the United States economically in the region. That's what we need to do. That is how we ensure that China's rise is done in a context which, in the end, supports and is part of the international system, rather than defining an alternative to the international system. And I think at this point, China still would like to see itself a major player within the international system. I think many Chinese understand that system that we've had since World War Two has actually benefited China and facilitated China's rise. So, I think China wants to be part of that system, but it wants to be at the table, helping to set the rules. And that's not unreasonable. That is to say, we should stand by our principles, but recognize China has a seat at the table, and then have a conversation whether we see where we can meet our interests, but also meet China's interest in the interest of a more stable, prosperous and secure international system.

Paul Haenle 17:38
As to the question of "what does this mean for our own country, for America?", you refer to the fact that the first week in office, President Trump pulled the United States out of the Trans-Pacific Partnership, which I've often said, you know, for someone who talks so tough on China during the campaign, he gave the biggest strategic victory China could have the first week in office. But he's also pulled out of the Paris Climate accord. He's also shown less interest in continuing on with the Iran nuclear agreement. There's a sense here that America is withdrawing from the world stage in many respects. And of course, that is coming at precisely the same moment that President Xi is putting China more into the center, into what happening. So, will China step into this vacuum? Is this good for the United States? Let me ask that.

Steve Hadley 18:31
There's a question about whether there is a vacuum and whether the United States is withdrawing. Certainly, there was a flavor in the 2016 presidential campaign that Americans were questioning why the United States seems to bear the disproportionate burdens of international leadership, why our allies were not doing more. That was a legitimate grievance. American leaders have for two decades been saying to our European allies, you need to do more. And President Trump put even a sharper point on that argument and the allies are doing more. President Trump stepped up our engagement against ISIS. ISIS has now, largely through the efforts of Iraqi forces and with some of our allies in Syria, but with American support has been pushed out of Iraq and Syria. That is not withdrawing from the world. We have reconnected with our traditional friends in the Middle East. That is not withdrawing from the world. We have, I think, the problem the Trump administration has is they are skeptical of these multilateral arrangements. They think they do not advantage the United States. They want to be engaged internationally, but on a bilateral basis because they believe it gives us more leverage. We can have a discussion about that. But that is not the same thing as saying that the United States is withdrawing from the world.

**Paul Haenle 20:06**

Let's look at the Asia Pacific, right? Because I think this is where this disinterest in engaging in multilateral institutions, really, I think is most unfortunate for the United States, because, as you mentioned, the Trans-Pacific Partnership could be a way where the United States could show real credible commitment. How else does the United States in the Asia Pacific region show credible commitment? The Trump administration put forward the Indo-Pacific strategy. But if the economic and trade component of that is only bilateral trade agreements, I'm not sure that that's going to be reassuring or appealing enough to countries in the region.

**Steve Hadley 20:47**

We can have that conversation. But let's look at the other side of the ledger. You and I agree it was a mistake, a strategic mistake, more than an economic break to get out of the TPP. On the other hand, I think you if you look at the time President Trump has spent with world leaders, the trips he has made, the meetings he has had in the Oval Office, there's been a lot of focus on the Asia Pacific. He has a very strong relationship with the Prime Minister Abe of Japan. I think his relationship with the South Koreans, he has brought a lot of attention and resources on the North Korea problem. He has upped our presence in the region militarily, he has helped South Korea and Japan with missile defense capability so that they're able to deter and if necessary, defeat a North Korean ballistic missile capability. So, I would say this is not someone who is disengaged from the Asia Pacific. This is someone who thinks that actually the number one geostrategic problem we have from this region is North Korea, and not just from the region, but globally. He has put the North Korea issue on the top of the agenda, and that is required to actually engage in the Asia Pacific. So, you know, on the one side you have the TPP, but there is another side to this ledger that belies the notion that somehow the United States is withdrawing from the Asia Pacific.

**Paul Haenle 22:26**
So, I take your point on his trip out to the region, he was able to visit Japan and Korea right up front to show the importance of our alliances in approaching the region. And I think I thought that was a very good start to the trip. I thought his visit to China was an important visit to show his commitment to the relationship. When he went to APEC and onwards to the East Asia Summit, which he was going to attend and then at the last minute, ended up leaving early, that's where it seemed to me that he lost some steam. And I think it's largely because of the trade and economic issues that we've been talking about. But there's another area that that people have talked about, and that is the notion of America promoting U.S. values of democracy and human rights abroad. There's been long standing debate in our own country, but also in the foreign policy community, on how we balance our efforts to advance U.S. interests, versus values. President Bush's second inaugural address, which you were a big part of, quite involved in preparing that speech, President Bush quite forcefully said, "the survival of liberty in our land increasingly depends on the success of liberty in other lands, the best hope for peace in our world is the expansion of freedom in all of the world." And it went on to say that advancing these ideals is the urgent requirement of our nation's security and the calling of our time. Now I probably didn't need to read that to you, you probably know that by heart. But the Trump administration's foreign policy, and especially in the Asia Pacific here, it seems, has not stressed such notions. And it has not prioritized promoting American values and beliefs beyond our own borders. Is this a mistake? How does America inspire and influence the rest of the world? And what will it mean if we pull back on that effort for our own security and prosperity?

Steve Hadley 24:26
You know, one of the problems is that we're sort of transfixed by the current and the immediate in the news, and don't really spend enough time thinking about how we got to where we are and what the context is. So, President Bush's second inaugural was incorrectly read by many people, that the way it was going to be implemented was in Iraq and Afghanistan, namely invading countries and overturning the regimes. The results of that have been disappointing to many Americans. And so, one of the things, two things that that happened, and you saw it in the Obama administration, one, that President Obama came into the administration saying we're not going to do things like Iraq again. And unfortunately, it caused him to sit on the sidelines in Syria, which resulted in a huge geopolitical and humanitarian setback for the United States. So, we over-learned that lesson, in some sense. And secondly, the Obama administration also lowered the profile about advancing America's principles and ideas and particularly the word democracy which no Trump, no Obama administration official seemed willing to articulate in the first year in office. So, we've had a pulling away a sense that somehow America was over-committed to imposing its values in a way that was inappropriate. And you see that principally in realism, which is the moniker the Trump administration has adopted for itself. Not just realism, but principled realism. That is to say, there needs to be a balance between advancing our principles and adjusting to sorts and taking account of more narrow interests like proliferation, terrorism and the like. I would argue that a realistic principle, a realistic policy is one that advances our principles and ideals of freedom and democracy, because at the end of the day, a world based on those principles is very much in our
interest. But there has to be a balance, and what the Trump administration is trying to do is get the balance right. And I think it's a work in progress. It's been very interesting to see the Trump administration's reaction to the demonstrations that have occurred in Iran and they are talking now about the Iranian people being sick of the tyranny of the mullahs and wanting for freedom and democracy to chart their own future. So, I think again, this is a work in progress.

Paul Haenle 27:18
More to come in this area.

Steve Hadley 27:19
More to come in this area because in the end of the day, every administration, at least since World War Two, and I would say, really, it started with Wilson in the run up to World War One, every president in the end of the day has made part of the foreign policy, the promotion of democracy and freedom in the world. Every war we have ever fought, has been a war against tyranny and advance and a war in favor of the right of peoples to choose their own future. I think will continue to be an important element of American foreign policy, even as successive administrations try to get the balance between high ideals and the practicalities of issues like terrorism.

Paul Haenle 28:15
Steve, I can't let you go without talking about North Korea. You've mentioned it a couple of times already. And you made the point that President Trump has elevated this issue, and he's clearly made the international community understand that this is one of the highest-priority national security and foreign policy issues of the Trump administration. And for the U.S.-China relationship, I might add. The administration, of course, remains intent on pushing forward its strategy to maximize pressure on North Korea through sanctions to convince them to come to the table and discuss denuclearization. And while Kim Jong Un at least early in the early part of this new year, seems to have changed course and want to talk to the South Koreans, he has not yet demonstrated any interest or willingness to enter in discussions about abandoning North Korea's nuclear programs. There are two areas I want to ask you about. And the first is diplomacy around the issue of denuclearization, not the upcoming talks with South Korea but convincing North Korea to give up its nuclear program. And the second is this issue of use of force, which is gotten a lot of discussion as of late. First on denuclearization, I want to get a sense from you how optimistic you are about the administration's chances of achieving denuclearization through diplomacy. In your interview in December with Secretary of State Tillerson, he indicated the administration is ready to sit down with the North Koreans at any time and talk about anything. In fact, he said we could talk about the weather, so the administration is prepared to engage the North Koreans at any time and talk about anything. In 2018, a diplomatic process unfold that ultimately could address the key issue of denuclearization?
Steve Hadley 30:15
So, let me take those in reverse order and talk about the use of force. There's been a lot of criticism of President Trump's bellicose rhetoric. And I share that to some degree, but I think you have to give him credit. Again, context, contrary to some of the things that you hear from the administration, this is not a problem that successive administrations have ignored for 25 years. In fact, there have been two negotiations that produced agreements with North Korea to give up their nuclear programs, one of the Clinton administration in '94 and one in the Bush administration in 2005. The problem has not been getting North Korea to the table or even getting an agreement to denuclearization. The problem is keeping North Korea in those agreements. That's been the problem. And everyone wants to get back to negotiation. What the administration is saying is, we need to set the table before you get to negotiation so that when we get to negotiation, we will get a deal. And we will get a deal that will stick, if that is possible. And we don't know whether that is possible. What I think the administration has been right about, is to say that this is a priority problem. It cannot be neglected. It needs to be front and center on the agenda. And the discussion about military options, which has upset a lot of people, I think is an indication that the Trump administration has gotten across to the international community that he's deadly serious, even to the point of contemplating military options. And I think they have put that option on the table in that explicit way, precisely to give China and other countries an incentive to put pressure on North Korea, so that maybe if we get them to the table, that there will be an opportunity of an agreement that actually sticks. I think the administration has set the table pretty well, at this point, and can claim some credit sure for the fact that the conversation is least begun between North Korea and South Korea.

Paul Haenle 32:30
I found it interesting in your discussion with Secretary of State Tillerson. He made the point that any successful diplomatic effort of this nature has to be backed up with some sort of credible military alternatives—not just threats, but real credible options. And one can understand the logic of that strategy. You could get the North Koreans back to the table, but if they don't feel pressure, they're not compelled in any way, then they're not going to be willing to talk about giving up their nuclear weapons. But on the other hand, the point that you made, that there's been concerns by some in the U.S. and some here in China as well, that so much talk about the potentiality of the use of force could lead Kim Jong Un to think well, the U.S. is going to move on me and therefore I ought to preemptively strike out. And so, in your view in the administration says there's military options available, what do you think they mean? And I asked you this, because, you know, this came up in the Bush administration, and I stayed on in the Obama administration, and we talked about military options. And the answer was, there are military options, but there's none that don't come with huge costs and huge consequences. So, what are they talking about when they talk about military options? And how do you view the likelihood that they'll resort to military options?

Steve Hadley 33:50
They have not talked about what they mean by military options and it's been interesting that General Mattis, who was Secretary of Defense and is the person responsible for developing those options, is the first say, when he talks about this. Diplomacy is our objective. But he of course would also say diplomacy has to be backed by an alternative, a threat of force, if it is going to be credible. I think the range of military options they are talking about could be very broad, the one people are concerned about is something that would provoke a North Korean attack on Seoul and South Korea, which would be a disaster for everyone in the region. But there are other military options short of that, such as, for example, if North Korea were to launch an ICBM against American territory, the ability and capacity to set to shoot it down. That's what missile defense is all about. That is a military option. And it also has a measure of deterrence, because if a country understands that they will gain nothing militarily by using their ICBMs or their medium range missiles against Japan, South Korea or the United States, and that they risk a retaliation, it will hopefully deter them from doing so. Look, the trick of this has been to try and change the calculus of China and North Korea. The calculus for China has been to get China to understand that the status quo is not stable, and is actually a threat to China's interests, and that China needs to do more to help resolve and get a denuclearized peninsula. The second is to change Kim Jong Un's calculus to understand that keeping nuclear weapons, in fact, is more of a threat to his regime than giving them up. That's a high bar, but that is the bar that the administration is trying to get to in order to set up the situation where North Korea would come to negotiate, would actually enter an arrangement which perhaps over time would involve giving up nuclear weapons, because it knows that the alternatives are worse for North Korea. That's where the administration is trying to get to. I don't know whether they will succeed. But it seems to me the right objective, given the history we've had of two failed agreements, so far.

Paul Haenle 36:27
More to come. And hopefully, we'll find an opportunity to come back and talk to you on these issues in 2018. Thank you very much for doing the China in the World podcast. Thank you for talking to our listeners. Thank you for doing the hundredth episode, a significant episode for us. We welcome you back in the future. Thanks, Steve.

Steve Hadley 36:46
Delighted to do it anytime.

Paul Haenle 36:49
Thank you for joining us for the hundredth episode of the China and the World podcast. Check out our Carnegie-Tsinghua website and be on the lookout for future China in the World podcast. If you like what you hear, please give us a rating on iTunes. Thanks again.