



CARNEGIE-TSINGHUA
CENTER FOR GLOBAL POLICY

Transcript

CHINA IN THE WORLD PODCAST

Host: **Kaiser Kuo**

Guest: **Paul Haenle**

Episode 114: Paul Haenle and Kaiser Kuo on
DPRK Diplomacy and U.S.-China Relations
September 12, 2018

Haenle: Today's special episode of the China in the World Podcast was recorded in partnership with SupChina's Sinica Podcast. For this episode, I'm interviewed by Kaiser Kuo, SupChina's Editor-at-Large and host of Sinica, in front of a live audience: the 2018 class of Tsinghua University's Schwarzman College. Kaiser and I discuss North Korea, China's role on the Korean peninsula, and the outlook for diplomacy and denuclearization post-Singapore summit. We also touched on the bilateral trade dispute, Taiwan, and China's Belt and Road Initiative. I hope you enjoy our conversation; and if you like the China in the World podcast please be sure to leave us a rating, and comment on iTunes, and head to the Carnegie-Tsinghua website for more work from our scholars. Thanks for Listening.

Kuo: Welcome to this special live edition of the Sinica Podcast coming to you today from the Schwarzman College at Tsinghua University in Beijing. Let's hear you Schwarzman Scholars and other friends make some noise!

[Cheering]

Kuo: The Sinica Podcast is produced in partnership with SupChina, which is the best way to keep on top of the latest news from China with our free email newsletter, our Smartphone app, and of course at the website supchina.com. If a few folks in the audience haven't already subscribed, then do it now, and I will not judge you or assume that you're ignoring me and playing Candy Crush on your phones instead. You'll see that indeed it is a feast of business, political, and cultural news on a nation that is reshaping the world. I am Kaiser Kuo and I am delighted to be joined here by Paul Haenle, Maurice R. Greenberg Director of the Carnegie-Tsinghua Center for Global Policy. Paul was a National Security Council staffer during both the Bush 43 and Obama administrations, looking after China, Taiwan, and Mongolia. Paul is an old friend, but somehow we have not managed to get him on the podcast in the – my god – how many years we've been doing this. I should add that Paul and his colleagues host an excellent podcast at the Carnegie-Tsinghua Center. It's called China in the World and it's recently published its 100th episode – yeah!

Kuo: So in fact we're going to make this one a crossover show that will run both on China in the World and right here on Sinica. Paul of course has a great deal of insight to contribute, which, as the podcast host, he is often obliged to hold back on. But now, we're going to give him the chance to be on the other side of the table, as it were. So, Paul Haenle, welcome to Sinica! Let's give a big round of applause to Paul!

Kuo: So, Paul, I want to start with kind of a quick overview of your own involvement in China and in the bilateral relationship between the U.S. and China. So give us a sketch of how your very interesting career led you to Beijing.

Haenle: Sure. Well first of all, thank you Kaiser for hosting me on the Sinica Podcast, which is a phenomenal podcast. As you've said, we've been trying to do this for years. And I'm delighted

that we're able to, number one, find time to do it, number two, do it jointly with the Carnegie-Tsinghua Center's China in the World podcast, and number three, do it here from the Schwarzman College, because this is a fantastic program. Thank you Joan Kauffman for inviting me and congratulations to all of you. You have an exciting year ahead of you and the Carnegie-Tsinghua Center has a great deal of collaboration with the Schwarzman program, so this is not the last time I will see you. My colleagues at the Carnegie-Tsinghua Center will be engaging with you throughout the year, so I look forward to that.

Kuo: I've had some fantastically interesting conversations with some of the Schwarzman Scholars in the couple of days that I have been here. They're just a great group, and I'm just really privileged to be here, and I think they're going to get a lot out of this

Haenle: Absolutely

Kuo: So, give us your history in potted form.

Haenle: So, when I went to college I also did ROTC. So when I graduated, I was also commissioned a Second Lieutenant in the U.S. Army. My plan was to do 4 years active duty and then get out and pursue another career path. Part of that first four years I was stationed in Korea, as a company commander. And I took a trip to China – this was 1994. Strangely enough, when I was in China – and I say this story because there are things that will happen to all of you as students that will define your path going forward, and some of them may be very obvious, and some of them will not be – You know, when I came to China in 1994, I was on vacation. I was with a friend, and she said, “You know sometimes the US embassy has a barbeque on Friday night. We ought to go to the embassy and see if we can get in and enjoy some Budweiser Beer and Hot Dogs.” Now think about this, this was 1994, this was pre-9/11. We walked up to the U.S. Embassy, showed our passports, and they let us in. And within 30 seconds, we were in the marine guards barbeque area drinking beer and meeting people in the U.S. Embassy. It would never happen today. It's like a fortress trying to get in there. And while I was in there, I met an Army Captain – I was an Army Captain at the time – and I met this US Army Captain who was a Chinese speaker, he was posted at the US embassy and he was part of this program called the Foreign Area Officer program. I was ready to get out of the army and I heard about this program. I was fascinated by China. It was an incredible time in China in the early 90s. Deng Xiaoping's Southern Tour had taken place in the early 90s. And you could just feel that China was at this turning point – this transformation point – and I got bit by the proverbial China bug. And I was able to find a way do it in the army and the program was the China Foreign Area Officers. So I learned the language at the Defense Language Institute at Monterrey. I served at the US embassy on two tours. I served in the Pentagon and the Joint Staff, for the Chairman of the Joint Staff, and then five years at the National Security Council. And that was my experience on China in the US Army and the US government before I started with the Carnegie-Tsinghua Center.

Kuo: So I'm sure there are people in the audience who are not entirely familiar with the work that the Carnegie-Tsinghua Center or the Carnegie Endowment for International Peace actually does. So, can you maybe give the mission statement of your Center, talk about some of its work, and explain the relationship between the Carnegie-Tsinghua Center here and the Carnegie Endowment more broadly?

Haenle: Sure, the Carnegie Endowment for International Peace is a think tank; it's a foreign policy research center. I'll just say, when I was finishing up my time in the White House in the summer of 2009, I got a call from Doug Paal, who runs the Asia program there, and he said come when you finish up your tour there in a couple of days, come talk to me about a job. I really had no interest, to be honest working in a think tank and doing research in Washington DC, didn't seem to make sense to me. If you want to understand what's happening in China and the Asia Pacific, I felt I needed to be in the region and looking at the issues. So I was very much looking forward to moving to the region after I left the White House and got out of the army. And he said, actually, this opportunity is an opportunity to go to China and open up a research center in China under the Carnegie Endowment for International Peace and do it jointly at Tsinghua University with the International Relations department. The Carnegie endowment for international peace had decided in the mid 2000s under the leadership of Jessica Matthews, who was the president of Carnegie Endowment for 18 years, that if you're going to be looking at issues related to foreign policy and international affairs you can't be a research center based in just one capital in the world and really understand the international issues from a range of perspectives. You have to have a local presence around the world in the strategic capitals. And you have to have local scholars that you work with that really understand those regions. And so Carnegie Endowment now has centers in Washington D.C., which was founded in 1910; but now we have centers in Moscow, Brussels, Beirut–Beijing was the next center to open, which I opened in 2010; and then we opened a center in New Delhi, India two years ago. And this allows us really to work with scholars around the world to better understand the major issues in the international arena. And so Carnegie-Tsinghua Center is one of those centers of the Carnegie global network of centers.

Kuo: So what's the typical output from your center? What do you publish?

Haenle: So here at Carnegie-Tsinghua Center what we've tried to do is really in three areas. The first is research. Obviously we do research and writing and I encourage folks to go to the Carnegie-Tsinghua Center website and see the work of our scholars in terms of our own publications. We do a lot of dialogue as well. Kaiser, I think you'll know that when it comes to trying to understand Chinese views and perspectives it's very important to have that open aperture and dialogue. So we do a lot of conferences, seminars, dinners, executive breakfasts, we do about 100 events per year. And then our third dimension, which is really important, is our work in the next generation of experts. And so we have at the Carnegie-Tsinghua Center our Young Ambassadors Program. We focus very much on the next generation of leaders that will be out in the world and in short order working on these issues and having a big impact on those issues. We

have now over 200 alumni that have come through our Young Ambassadors program, and they're in New York City working in finance; they're in Washington D.C., London, Beijing, around the world, and they come away from their time at the Carnegie-Tsinghua Center with a better understanding of what we work on.

Kuo: I understand you were just named to the National Committee, is that correct?

Haenle: Yea, that was quite an honor, the National Committee on US-China Relations. In 2002, I was actually selected for their US-China Young Leaders Forum which brought together 12 Americans and 12 Chinese to try to better understand each other just by developing friendships. And that program has grown since that time to well over a hundred in that program. So my involvement with the national committee started there. It's a great organization, as you know and Joan knows and others who work on China. We host a lot of delegations that they bring into town at the Carnegie-Tsinghua Center. We've had a lot of good collaboration. It was a real honor to be invited to join the board of directors last year.

Kuo: Well congratulations on that. Among Other things you're a real veteran of the US-DPRK relationship, that is, the US-North Korea relationship and, of course, you're very familiar with China's involvement in North Korea and in the sort of triangular relationship that's evolved. You were the American representative at the Six Party Talks in the period from 2007 to 2009 and you've been watching closely what's been happening during the Trump administration from your perch here in Beijing, which I imagine must be fascinating. I think many of people are very keen to understand how Beijing has viewed this whole process; so, understanding China's role both in the lead up to President Trump's summit with Kim Jong-un in Singapore and how things have evolved since that summit, which was on June 12th. I know there's a lot, but let's start with a quick stage-setting with your involvement in the US-North Korea-China diplomatic dance.

Haenle: Sure. Well, you're right, this is a fascinating place to watch the diplomacy that is taking place on North Korea. Beijing plays an incredibly important and unique role. I look forward to talking with you about that. I'll go back to my time. I spent three years in the National Security Council working directly for the National Security Advisor as a special assistant in the front office. It was in the West Wing on the first floor, just about 30 steps down from the oval office. It was an exciting job. The pace was absolutely relentless. We worked six days a week. I was usually at my desk at 5:30 in the morning and I'd go home about 11 o'clock at night six days a week. And you know the world moves quickly. A lot of things happen in the world. And so that's just the way that it works. And after those first three years working for Condoleezza Rice and then her successor Steve Hadley, I was given the opportunity to be the China Director. But just as I was about to go into that position, the National Security Advisor said, you know, it probably makes sense for you also to take on the portfolio for the Six Party Talks. And that was probably for two reasons. One, I had a good relationship with him and good communication with him. And two, given the important role that China plays, it probably makes sense for the China Director to be working on

the North Korea issue because it's a hugely strategic issue in the U.S.-China relationship. If you look at the Trump administration, what are the two big issues in the U.S.-China portfolio? It's trade and North Korea. And that's unfortunate, because I think the relationship is much broader. But this administration is really focused on those two issues. So from 2007 to 2009, I had the opportunity to work with Chris Hill, who was the US chief negotiator. The U.S.-Six Party Talks envoy at the time was Sung Kim, who's now our ambassador in the Philippines and is playing an important role in negotiations today. During that time there was a different leader in North Korea; there was Kim Jong-il. And we were not sure whether or not the North Koreans were going to give up their nuclear weapons under Kim Jong-il leadership. And asked whether or not they would, we would say, it's not for sure, but it seems as if Kim Jong-il has taken out an option to give up his nuclear weapons if he sees the deal presented to him as beneficial to North Korea. If you remember during that time period, the negotiations were very active. We were traveling to the region at least once a month. We met the North Koreans in Beijing. We met the North Koreans in Geneva. We met the North Koreans in Singapore. I travelled to North Korea about half a dozen times to negotiate with the North Koreans. On one trip we went to their nuclear complex at Yongbyon. They handed over operating records from the reactor there, which we were able to take back to the United States and examine for intelligence purposes. They even blew up their cooling tower, if you remember that, in front of international TV to show that they were serious about the negotiations. At the end of the Bush administration, unfortunately, Kim Jong-il had a stroke. North Korea went into a leadership succession. Kim Jong-il's father Kim Il-sung had planned for his son to take over for him for about ten years. But Kim Jong-il had not thought about who his successor would be, and he had three sons to choose from. And so that leadership succession was ramped up very quickly. The last thing they wanted to do at that time was negotiate any more. So at the end of the Bush administration, the negotiations kind of went off track. I stayed on in the first year of the Obama administration and tried to keep the negotiations going, but it was very clear that North Korea was not interested. So, this is really under Kim Jong-un, when he decided at the beginning of the New Year that he would turn to diplomacy, and he would do that by participating in the Olympics in Korea; this is really the first real effort at serious negotiations since the end of the Bush administration in 2008.

Kuo: It's been fascinating. So help us get a sense what China's position has been since the Trump administration took office in January of last year and elevated this issue once again to the very forefront of its foreign policy agenda. How has China's position evolved and to what extent in your assessment did they really give ground and try to carry through sanctions that were imposed

Haenle: One of the things we have to realize is that China grew very frustrated (the leadership here, and we heard anecdotally Xi Jinping, the President) with the leadership in North Korea when they ramped up their nuclear testing and their missile testing. They did that in 2016 and 2017. They did missile tests in May of 2017 during the Belt and Road Forum, which was an incredibly important forum for the Chinese. They conducted their last nuclear test in September 2017 when Xi Jinping gave the keynote speech at the BRICS summit, when the Chinese were for their own

reasons very upset with North Korea. I think they had their own set of reasons why they joined the maximum pressure campaign and the UN Security Council resolutions. At the same time they saw President Trump, who was unpredictable and impulsive. His rhetoric was warlike at times – fire and fury – and I think the Chinese were also worried about potential conflict. So, I think for their own reasons the Chinese joined the maximum pressure campaign, to avoid an outcome of conflict, which was the last thing they wanted to see. So they joined the Security Council resolutions. North Korea was very upset that China had aligned closer with the United States, South Korea, and Japan. At the end of 2017 the China North Korea relationship had been the worst it had probably been in history. I talked to a Chinese expert on North Korea yesterday who said it was worse than when China renewed relations with South Korea, which was a bad point in relations, and worse than during the Cultural Revolution,

Kuo: What were some of the manifestations of that bad relationship, besides the closing of the border?

Haenle: Yeah I think the biggest was signing on to that last set of UN Security Council resolutions, cutting off a large percentage of refined fuel and crude oil. And I think this really stung the North Koreans. So, you know, this is the end of 2017. After the last nuclear test, which took place in September Citizens in the northern part of China were worried about radioactive fallout coming into parts of China. So the Chinese leadership was really concerned about developments in North Korea. Donald Trump then in the Spring of 2018, out of nowhere, announces through the South Koreans that he's willing to meet with Kim Jong-un. It was very interesting to be here in Beijing, because talking with Chinese experts immediately after we heard the announcement, the response from the Chinese was, you know, this is good because we've been telling the Americans, this is a US-North Korea problem; this is not a Chinese problem, this is a U.S.-North Korea problem and the way to solve it is through dialogue, so we're glad your president has decided to meet with the North Korean leader. On day two, however, it was a very different response, because the Chinese realized our relations with North Korea were at their worst point in history and Donald Trump can come and strike some grand bargain with North Korea. And South Korea now is in diplomacy with NK. And China, we're sitting on the sidelines watching this as a spectator. And China realized this is not the position we want to be in because we want to be in the position through this diplomacy to make sure our interests are taken into account and so, President Xi Jinping, who had not met President Kim Jong-un since he came to power several years before immediately reached out to the North Koreans and said let's meet. And that meeting between Kim Jong-un and Xi Jinping gave China a place in the negotiations and before Donald Trump met with Kim Jong-un on June 12th, the Chinese leader met with Kim Jong-un twice. And both times were just before Secretary of State Pompeo went to North Korea. So China got a seat back at the table and I think they thought that was very, very important.

Kuo: Presumably the worry was, in that moment, when they thought they might have been frozen out that they had wanted something out of this. Because, at the same time, trade tensions between

China and the United States had already been ratcheting up. Conventional wisdom says that what they were looking for was for Trump to back off on threats of tariffs in exchange for China doing its level best to bring North Korea to heel. And they felt that this deal had sort of been jettisoned. And now here we are, we're very much in the midst of a full-blown trade war. More tariffs are being floated right now. How does China feel about how all of this has worked out? Do they feel like they were betrayed somehow, that promises made for their participation in North Korea hadn't been fulfilled?

Haenle: I'm sure that's part of their thinking. Donald Trump was very explicit in saying that if China had cooperated on North Korea he would take it easy on China on trade, and that certainly has not panned out. So they have probably come to the conclusion that you can't necessarily trust what President Trump says when he's going to take a concession. You know China joined under the maximum pressure campaign, which was very helpful in getting the North Koreans to the negotiating table. And President Trump pocketed that concession, as he sees it, by the Chinese, and then moved forward harshly on tariffs on China. So, I'm sure somewhere in the Chinese thinking there is that, that President Trump himself, he's the only one that I know in the administration that has linked the two, you don't here that from senior officials, and my understanding in talking to senior officials in the Trump administration is that that's not anywhere in their recommendations or strategy to try to link the two of them. That just complicates matter. You know, China has its own interests with regard to North Korea as well. China would like to see a North Korea without nuclear weapons. So, we're aligned in that regard with China. However, it's very interesting, I hosted Chris Hill this spring here just before the Singapore Summit. In our discussions with the Chinese I asked a question would China like to see North Korea without Nuclear weapons and the answer was yes. And then I said what if that meant a unified Korean peninsula that was aligned with the United States and they said absolutely not. What you see there is that geopolitics, China's own strategic influence in the region, they want to maintain that. And so, in that case geopolitics trumps denuclearization—no pun intended with “trumps.” But I mean, geopolitics in that case is more important to the Chinese. And so the Chinese being able to maintain their strategic influence, their strategic position in Northeast Asia is hugely important. And they see that as a zero sum game. If the US is able under Donald Trump to improve its relationship with North Korea, South Korea, this will somehow have a negative effect on China

Kuo: So when Trump emerged from talks and then suddenly announced to the surprise of many people that he would be suspending the joint military exercises with South Korea. I think a lot of people who were familiar with China's position on North Korea said, hey that sounds awfully familiar. Because for years China had been pushing this proposal called double freeze. Which would be, well, suspension of the joint military exercises in return for North Korea agreeing to freeze its ICBM and nuclear programs. What's different about what Trump has proposed and how did Beijing react to this proposal

Haenle: You know, the Singapore Summit, in my mind, was not a success. I think you could say in many ways it was a failure. President Trump went in with very high ambitions. At one point, he and the administration were talking about, at the Singapore Summit, the North Koreans would agree to give up their nuclear weapons, and they would start bringing pieces of the nuclear reactors back on the tail end of the visit. This was the sense that you had in terms of the goals that they set. You're absolutely right Kaiser. The Chinese, under Foreign Minister Wan Yi had talked about the situation using an analogy of two high-speed trains. The situation on the Korean peninsula is like two high speed trains getting ready to collide. The high-speed trains are North Korea and the United States. US officials took umbrage about that. Because we don't see ourselves in the United States as a high-speed train out of control. We were unified with South Korea, and Japan, and China, we thought, in trying to get North Korea to give up its nuclear weapons. And so, which there are 11 UN Security Council resolutions saying North Korea needs to stand down on its nuclear program. So the notion that there's some moral equivalency between what North Korea is doing to build up this illicit nuclear program and what the United States and South Korea are doing in terms of joint military exercises to prepare themselves for the eventuality that the North Koreans follow through on the threats they've made—the notion there's some moral equivalency did not go over well in Washington. And so they said, you know, this dual freeze idea is not something we're interested in. Because North Korea freezes its nuclear tests and missile tests and the US and South Korea stand down on their exercises was not something that was appealing to the United States. But as you say, that's basically what the outcome was. Now...

Kuo: Did Trump not get the memo, I mean, how did he go so completely off...?

Haenle: It's a great question. Back in Washington I met with a senior DOD official. And I said, "were you surprised?" Number one, we don't call them provocative war games. That's what North Korea calls them. China calls them that too [**Kuo mumbles**] We call them legitimate defensive military exercises with our ally. And so the notion that President Trump would agree to stand down on provocative war games is shocking. And so I asked this DOD official, did you see that coming? And he said no, not only did I not see it coming, the North Koreans didn't even ask for it. So I don't...

Kuo: Could this be the guy that wrote the anonymous op-ed?

[Laughter]

Haenle: Maybe [laughs]. So I realized that I'm coming across as quite critical. But for the guy that wrote the Art of the Deal and claims to be a great negotiator, you now have a situation—First of all the North Koreans have wanted a meeting with the US President since 1972. So the idea that, you know, President Trump was the first one to sort of step forward and meet with the North Koreans—President Bush, President Obama, the leaders that I worked for, could have met with the North Korean leader. That was not difficult. The question was, how do you use the prospect of a meeting

like that, which the North Koreans want badly, as leverage to get the North Koreans to do what they don't want to do, which is to give up their nuclear weapons program. Now, the statement that came out of the Singapore statement, was in my view the weakest statement we've had coming out of a negotiation with the North Koreans. I would encourage you to go and read the September 19th, 2005 Joint Statement, which is the statement that China as the chair of the six party talks brokered with North Korea. South Korea signed on—Japan, Russia, the United States and North Korea. And it's very explicit in that statement what North Korea has to do in terms of giving up its nuclear weapons programs. It was not explicit at all. It was extremely vague in the Singapore Summit statement. It was also listed after improving bilateral relations. So now the North Koreans are saying, well, there's a sequence to all of this. And we're not going to give up our nuclear weapons until we improve relations and until we have a declaration to end the war. And of course the fear is there, if you have a declaration to end the war, then what's the purpose of having US troops in South Korea? So I think that we're in actually a worse situation than we were before the Singapore Summit. And we're seeing that play out now because Secretary of State Pompeo has traveled to North Korea once; he said let's talk about denuclearization, and the North Koreans said, why are you coming at us like a gangster, using gangster-like tactics. And they just cancelled this ...

Kuo: So what does that mean, the planned trip being cancelled. Do you know the back-story here? Apparently there was another bellicose letter coming from North Korea. Do you know why Pompeo—or I think it was Trump actually who cancelled Pompeo's trip?

Haenle: So now there's Secretary of State Pompeo, there's also Steve Biegun, who I know and I think very, very highly of, who now is the North Korea envoy in the US government. They were planning a trip to North Korea, to once again come and talk about denuclearization, and what would North Korea do to show concrete steps in that regard. It was pretty clear, I think—they all went over and met with President Trump in the Oval Office—it was pretty clear that North Korea was not in a mood to discuss denuclearization. They want a declaration to end the war, they want steps to improve the relationship, and they want relief from the sanctions. And so, I think it was clear that this trip, if they had gone, would have been a failure. So they cancelled it. And I think it's probably the smart thing to do. But, you know, the other thing that President Trump did that's unfortunate at the Singapore Summit, is he did not properly empower Secretary of State Pompeo. So, the North Koreans—you get the sense that Kim Jong-un only really wants to deal with President Trump. Here's a guy who he talked to. He says nice things about him. He was willing to meet him. He cancelled provocative war games. He let them off the hook, I would say, on denuclearization. Here comes Secretary of State Pompeo—and if you've watched Secretary of State Pompeo in Senate hearings and things like that, he's a tough guy. Why would they want ... Pompeo is the denuclearization guy. He's the guy they don't want to talk to. They want to talk to President Trump. They get concessions when they talk to President Trump.

Kuo: Maybe if you threw in Rodman too...

[Laughter]

Haenle: Yea, I mean, you know. So, in the summer President Trump tweeted he's looking forward to meeting Kim Jong-un. If he meets Kim Jong-un again, without any steps taken by the North Koreans taken on denuclearization, they will come to the conclusion that the U.S. has acknowledged that North Korea is a nuclear state.

Kuo: Now, Secretary of State Pompeo is not the only dignitary to decide to not to visit North Korea recently. Recently Xi Jinping, who was supposed to go in this couple of days, is not going, sending in his stead Li Zhanshu, who's also a Politburo Standing Committee member, and a very powerful man. He's the head of the National Party Congress. But, the timing is also significant because this is the 70th anniversary of the founding of the DPRK, September 9th. I believe it would have been for the big celebrations. What signal is being sent, and to who is it being directed?

Haenle: Yea, so there was some speculation that Xi Jinping would go. Now it's interesting that this decision came so late. Today's what, September 6th? The decision was yesterday. It's four days before. So there was obviously some deliberation at the senior levels of the Chinese leadership. My sense is that for a number of reasons they decided to send Li Zhanshu. We should not—as you say, he's in the Standing Committee, he's ranked number three, a pretty senior person to go. I think one of the considerations of the Chinese leadership was, at this time where you've got the trade war going on, China is not necessarily looking to provoke the United States more that it has to—number one. Number two, President Trump just cancelled Pompeo's visit since North Korea is not cooperating on denuclearization. So, for President Xi Jinping to go to North Korea at this time...

Kuo: The optics would have been ...

Haenle: And President Trump, he's the only one, by the way, in the administration who has suggested that perhaps the Chinese behind the scenes, because they're mad about the Trade War, are slowing down North Korean terms of negotiating on denuclearization. So with all of that out there, I think the leadership in China probably decided that it's probably not good optics for Xi Jinping to be standing next to Kim Jong-un watching a military parade in North Korea. Some also say that, and I think there's some truth in this too, if Xi Jinping goes, he wants it to be his show, not somebody else's show, standing by watching some demonstration of North Korean military prowess. So I think it makes sense to me to send Li Zhanshu. I think it was the right decision by China. It also leaves China some room, incentives in the future for Xi Jinping to go, if North Korea gets things sort of back on track.

Kuo: So that was my read on this, that the optics would have been absolutely horrible, that it would have actually weakened China's position vis-à-vis the United States. It would have played into Trump's paranoid theory that now China is deliberately is trying to throw a spanner into the evolving relationship between the DPRK and the USA—so yea, probably a smart move.

Haenle: And South Korea also, they just announced that the South Korean leader will go to Pyongyang on September 18th and meet with the North Korean leader. That runs the risk also of appearing out of sync with what's happening. So, as you hear the South Koreans talking about this, they're emphasizing the importance of North Korea taking steps on denuclearization. They don't want to get to out of whack with the United States either. It's obviously the most important issue to the United States, the denuclearization issue. Other countries care about it, maybe not as much as the United States.

Kuo: So Paul, you recently led the Carnegie Track 1.5 dialogue with China. For those who are not steeped in diplomatic parlance, can you first explain what Track 1 and Track 2 dialogues are, and what a track 1.5 is, and what Carnegie's involvement was.

Haenle: Sure, so one of the things that we do fairly regularly is bring together experts from the United States and China, not just the United States and China, but in the context of U.S.-China relations, we bring together experts from both countries, go through the list of issues on the bilateral agenda, and try to work these issues to some greater understanding, then to find constructive solutions to problems and then go to our respective governments and share with them the results of our dialogue and make recommendations on ways that they may be able to solve problems or work through potential impasses. That's Track 2, when you just have experts. When you bring government officials into the discussion, we call it track 1.5. And this U.S.-China dialogue that we've had, we've been doing now for two years. It was originally asked for by a Vice-Premier in China—that these track 2 discussions would take place—and Carnegie took over as the US representative two years ago. We decided this year we would do it a little bit different, and bring in Chinese officials when we hold the discussions here in Beijing and then Trump officials when we host the discussions in Washington, because it's a more difficult environment to go into the Trump administration these days and make suggestions and recommendations. You don't often feel like you're necessarily being heard; and frankly, the suggestions of, maybe, some of the Cabinet secretaries and senior officials in the U.S. government aren't penetrating the Oval Office either. So we thought it was more important to bring in those Trump officials and discuss from a range of agencies. We had representatives from the White House, the National Security Council, Treasury...

Kuo: Who are you bringing in?

Haenle: Senior officials from the Trump administration.

Kuo: Are you able to name any names?

Haenle: I could probably name them here, but we want to make sure that in the future they'll talk candidly and openly.

Kuo: And what about on the Chinese side? Can you name some of the participants on the Chinese side?

Haenle: So you probably don't want to name any Chinese or U.S. officials, because you want to incentivize them to come in and talk and talk openly. But one of the outcomes of our discussions this summer—I think you could see from the range of officials that we brought in from the different agencies—that there's a lot of different perspectives and different views and there's not a cohesive unified position on many of the issues, including ...

Kuo: On either side...

Haenle: I think, I would argue more probably on the U.S. side these days. We didn't get that sense necessarily here.

Kuo: We're aware of the major schisms between sort of... Can you talk about some of the main agenda items?

Haenle: So our agenda items are across the board. The U.S.-China relationship is pretty comprehensive: security issues, political issues, economic issues. But you will not be surprised to find out that trade and economics dominated our discussions. And I think one of the big takeaways from our discussions, at least in talking to the Chinese representatives—there was a view here, I think, in China until recently that the whole trade, tariffs, and pressure from President Trump was mostly about President Trump's short-term political imperatives. That is to say, that Trump wanted some victories that he could tweet out as sort of tweetable victories to tell his base, look how tough I'm being on China. And you remember Liu He, President Xi Jinping's senior economic advisor went to the United States and thought he had struck a deal where China would buy more products...

Kuo: 70 Billion

...from the United States and came home and, I think, basically reported, I've struck a deal. And then President Trump himself spiked that deal. And now I think, coming out of our discussions this summer, I think the Chinese believe that this is a longer-term issue. There may be elements of this that have to do with President Trump's domestic political imperatives; there's always domestic politics involved in these things. But the idea that there's an off ramp before the midterm elections or that there's some off ramp in the near term that China will be able to come and strike some deal, I think they left thinking that that's probably not possible and that these issues deal in many ways with U.S. concerns about long-term competition between the United States and China. Now, on the trade and economics front, I will give the Trump administration credit for one thing; and that is raising this issue, getting the attention of the Chinese leadership that the trade and economic

relationship needs to be recalibrated. The Chinese are listening. They want to know how they can get out of this particular predicament. The problem is now that you have the attention of the Chinese, the Trump administration needs to be able to draw back on a strategy that can be effective and that can address what I would say are the real structural issues in the U.S.-China relationship. One I know that you talked about this morning, which is China's industrial policies, market access, IPR, forced technology transfer, issues related to reciprocity. You know, when China joined the WTO in 2001 it got preferential treatment because it was really a developing country, I think it was the 7th or 8th largest economy in the world. It's now the second largest economy in the world.

Kuo: So China has come to realize that it's not just about, O.K. we will buy more American goods. It's not just about increasing market access in consumer goods. It's specifically about these other issues about forced technology transfers,

Haenle: They're hearing this more and more. And we heard in in our track 15 discussions. And I think that that's a positive development. You know I'm not a big believer that the trade deficit is, you know, a good barometer for the health and welfare of any bilateral relationship. And when you're asking the Chinese to buy more products, I thought you were supposed to stand for free markets and all the rest. And tariffs, I don't think is the answer to our issues that we have with China on the trade and economic relationship. So I was pleased to see more of a discussion from Trump officials on some of the more structural issues. Now, the problem is, the other thing is about the structural issues, we have common concern with these with our friends in Europe and many like minded nations here in Asia. And so, in my mind, any effective strategy to get the Chinese to make the changes that they're resisting making—I think we would be in a much better position, we would have much more leverage if we would work with our European friends, if we would work with our friends in Asia to go to the Chinese and say, it's not just the United States that has these concerns.

Kuo: And this seems to be happening and China seems to have been caught quite flat-footed, not expecting that you would see that sort of coming together between the EU. They had sort of reveled in the initial period as aluminum and steel tariffs were announced. That seemed to pit the United States against some of its traditional allies. And now they're coming together and they're talking to them about technology policy

Haenle: Absolutely. I think, starting with the steel and aluminum tariffs and going after our friends in Europe and friends here in Asia just simply allowed China to stand back and say, it's not us that's the problem here; it's clearly the United States and we're all being hurt by the United States. But when Juncker came to the United States this summer and they were able to work out some deal, I think, you know, they're now beginning to see. But I don't think now the administration is working closely enough with our friends in Europe and our friends in Asia to approach the Chinese. One of the things we heard from Trump officials this summer was the real issue is

China. You know, if you look around the world at all of the problems the United States has on economic and trade, the real issues that need to be dressed is with China. And if that's the case, then we ought to be working closer, I think, with partners around the world instead of trying to punish everybody all at the same time

Kuo: Let me shift gears and talk a little bit about the belt and road initiative and I want to get your sense on how you would characterize American attitudes towards Xi Jinping's signature initiative. It seems that the American attitude is sneering and jeering, defining it as sort of debt trap diplomacy, a species of neocolonialism, king of reveling in the trip-ups that they've had: Mahathir coming in a canceling projects, problems that they've had in a number of places right now. Is America missing an opportunity here and this is a healthy approach to what China is doing.

Haenle: You know, Belt and Road Initiative – Schwarzman Scholars if they don't know already will find this is a big deal here – This is a signature initiative by President Xi Jinping; it's now written in the Constitution. It's a huge deal, especially if you think about it from the standpoint of—you know when you were here Kaiser, they were still in the *tao yang guang hui* phase of things, right. This was the Deng Xiaoping dictum that China should bide its time and hide its capabilities, or keep a low profile internationally. It was only five years ago really that China under Xi Jinping shifted course, and now on the international front has a much more ambitious strategy. And this is, you know, really one of the flagship initiatives of that more ambitious strategy. Sixty-five developing countries, connectivity, infrastructure—its extremely ambitious and, you know, I think the Chinese leadership, when they talk about it, they say, look, this is not a strategy; it's an initiative. It's not about geopolitics; it's just about infrastructure and connectivity.

Kuo: Part of it is just the Chinese word for strategy, *zhanlue*, having the word war in it, and so, yea, the allergy comes from...

Haenle: I think developed countries around the world have a hard time believing that. Because, you know, the truth is, if the Belt and Road initiative is successful it will give China greater strategic influence around the world, there's no doubt about it. You already see signs of that, where countries will resist signing on to statements critical of China, these happen to be countries that are receiving a lot of assistance from China in the Belt and Road. And so, ...

Kuo: We're seeing this in Central Asia, with Pakistan...

Haenle: ...and in Eastern Europe as well. And if they're successful, this will certainly help them from a geopolitical standpoint. But you know—this is—I think, China is also to a certain extent, underestimating the challenges and the complexity of doing something so ambitious. And so, in terms of the US position, I would say this. I think the Trump administration responded to it probably better than the Obama administration responded to the Asia Infrastructure Investment Bank...

Kuo: ...Which, when it went around and told its allies please don't sign on to this and they all went on to do so...

Haenle: Its tough you know, in the Bush administrating and the Obama administrating, in Which I served, as China grew more powerful and more influential, we were encouraging China to contribute more to international public goods. And this is a case when China says, look, there's a gap in infrastructure spending, we're going to build this Asia Infrastructure Investment Bank to address that. The first word out of our mouths shouldn't be to oppose and. And you know, you can say its great you're stepping up, its great you've deciding to contribute to public goods in the infrastructure area; we do have some concerns and you can concerns. I think the Obama administration, as you said, opposed it and even tried to get other countries to resist joining it.

Kuo: Beijing also sees Belt and Road as provision of public goods in the world too and wonders why this mistake is being made again

Haenle: But the Trump administration hasn't opposed it. They did send Matt Pottinger, the Senior Director for Asia on the National Security Council, to the Belt and Road forum in May of 2017. But I think you're on to something. I don't think they necessarily think too highly of it. And you're right; there's some sneering and jeering. My own view is that it's right to be worried about things like transparency and sustainability, environmental issues, labor aspects of it. You know, we should definitely press to make sure that projects within the Belt and Road have all of that. But at the same time, you know, we shouldn't be working to actively oppose it. If we want to, we should try to find ways to partner where it makes sense and where those high standards exist, that's one way to make sure that those high standards do exist. But we should also as a country be putting forward other alternatives for countries. And stepping out of the Trans-Pacific Partnership, the TPP, in the first week of the Trump administration, I think, doesn't demonstrate to the Asia-Pacific, at least, that America is here in the region, is committed to the region, and is putting forward appealing and credible opportunities for countries to involve themselves. And now that President Trump has decided not to come out to the region to APEC and for the ASEAN meeting, once again, I think it makes it very difficult for the Trump administration to demonstrate that it's committed to the Asia Pacific. And, you know, on one hand, I suppose, not having President Trump come out is OK because you can avoid some disasters, but on the other hand, you do want to put out credible alternatives. That's the way I think, if you want to compete with the Belt and Road, that's the way you do it

Kuo: You know, I think there's a case to be made that our agenda items—better governance and better sustainability—are better achieved from participation from the inside. I think the case of the AIIB kind of illustrates this. Look's what happened with the AIIB. Chinese voting rights have been severely diluted. And according to very reputable people, people who are involved in setting

up AIIB on the Legal side, people who from Bretton Woods institutions, it's getting very high marks.

Haenle: Well, the interesting thing there, Kaiser, I think you're absolutely right—the arguments we were making to China in the 1990s, encouraging them, urging them to consider joining the WTO—they said we weren't there when the institution was created, we said, if you want to shape it, you have to do it from the inside. So, that was our own argument that we used with the Chinese. And I think you're absolutely right on the AIIB. If you want to shape it. if you're worried about standards and the like, the way to do is to get in and shape it from the inside.

Kuo: One last topic before we move on. There a host of hot button issues that play plague the bilateral relationship right now. One of them, of course, is Taiwan. The administration is taking a very different approach with Taiwan than really has been the case for a very long time. George HW Bush's presidency began. Is the consensus in Wahsington fundamentally changing right now and is Beijing, in your estimation, now, in response, maybe shifting back its own red lines a bit on the issue. I was, for instance, pretty impressed with how muted the response was to Tsai Ing wen's transit through the United States recently.

Haenle: Well, you know, the Taiwan issue has been very interesting from the start of the Trump administration, before the Trum administration began. Of course, you remember, President Trump took a phone call from Presidnet Tsai Ing-wen and then said he wasn't sure he was going to abide by the U.S. One China policy because China wasn't cooperating on North Korea and helping us on trade. So, I think President Trump's inclination early on was that Taiwan was something China cared about deeply and therefore he could use it as some kind of bargaining chip or some kind of leverage. That unfortunately will not work and I think smart advisors, ultimately, smart advisors talked him out of it, which is a good thing. You do see some officials in the administration pushing for improved coordination and relations with Taiwan. I think there also, I would say, on the Chinese side, however, since President Tsai Ing-wen from the DPP won the Presidency, the pressure on the Chinese side has also gone up. You know, for the last two years, for example, the Chinese have opposed Taiwan sending a representative to the World Health Assembly. This is an international body. Joan knows it well. You're working to bring countries together on global pandemic disease. What's the rationale for opposing a representative from an entity with 23 million people from not going. And oh, by the way, when the Taiwan health minister can't go to the World Health Assembly, guess where he does go—he goes to the United States, and then of course China opposes that. So there is increased pressure form Beijing on Taiwan. Military, there's been four transits of the Chinese aircraft carrier, the Liaoning. There's exercises. There's a number of pressure points in the diplomatic campaign. There was a diplomatic truce, where Taiwan could keep its international diplomatic partners around the world. China wouldn't go after those. Over the last couple years, that's changed. Those are in play again. China has taken a handful of those back. So when China puts pressure like that on Taiwan there are second and third order consequences to that, in terms of the US Taiwan relationship. And I think China has to keep that in

mind. I will just say one thing. You know, they're worried about Tsai Ing-wen. She's from the DPP. She won't sign on 100% to the '92 consensus. But you know, I was the China director in the White House when Chen Shui-bian was the President. Tsai Ing-wen is no Chen Shui-bian.

Kuo: That's right, she's much more moderate and reasonable.

Haenle: She's moderate. And I think the Chinese would do themselves a service by trying to figure out a way to enter more of a dialogue and to deal with her from a more rational, more moderate position. And I agree with you, the Taiwan issue is one of the most significant, and most sensitive. And if we're not careful, we might see a downward spiral. And I think one way to kind of reverse these trends is for China to sort of back off.

Kuo: Well Paul, I mean, this is terrific. And thank you so much for taking the time. Let's move on now to the recommendations segment. So, on recommendations, Paul, what do you have for us.

Haenle: Well, I was going to recommend Sinica, but you've just done that. And then I was going to recommend China in the World podcast, but you've done that also. You know, one of the things I want to recommend, and hopefully my colleague will have a chance to come and meet you, but one of the really excellent scholars at the Carnegie-Tsinghua Center is a Chinese scholar, an expert on North Korea, Tong Zhao. And if you haven't read his material, his publications, he's quoted often in the western press, he is excellent on these issues and he's done a couple of podcasts lately. I do most of them, but he's done a couple lately, and I'd like to have him come over there. Anything on the Carnegie-Tsinghua Center I'd encourage you to read as well. In terms of...this is articles, podcasts, books?

Kuo: Anything you want.

Haenle: You know, I mentioned Jessica Matthews earlier in our discussion. She was the former resident of the Carnegie Endowment for International Peace for 18 years. She's also the President of the Carnegie endowment that moved us to this global think tank position that we have now. She just wrote an article called the Singapore Sham. You know, I was quite tough on the Trump administration on the Singapore Summit. She's even tougher. I think it's a very good analysis of the Singapore Summit, I encourage you to read that, it was a New York Book Review article that she had out. So that's one recommendation that I would have for you

Kuo: That's great. Since we are both podcast hosts and podcasts are becoming a really important learning tool, I think it's high time that someone has come out with a really good podcasts search engine. Well, one of our listeners has done that. He's created a podcast search engine called listennotes.com. It's pretty amazing. If you're looking for every podcast appearance, say, of somebody that you're interested in or every podcast that's discussed that person and included that name in the liner notes, if you're looking for a particular topic that you're interested in

researching, you'll find it. You can sort by relevance or by date. It's very comprehensive and also very well designed—listennotes.com—highly recommended.

Haenle: I'll recommend one podcast, and it's another think tank's. So I'm being fair here to other think tanks. CSIS, three of my former National Security Council colleague—Mike Green, Victor Cha, and Sue Mi Terry— have an excellent podcast on North Korea called the Impossible State.

Kuo: Yea, it's very good.

Haenle: So if you haven't listened to that, I mean, try China in the World First, and then you can try the Impossible State, it's really excellent.

Kuo: Once you've listened to the whole Sinica back catalogue then you can...

[laughter]

Kuo: Paul Haenle, what a delight to finally have you on the show. Let's hear a round of applause for this brilliant, brilliant gentleman

[Applause]

Haenle: Thank you, Thank you very much.

[Applause]

Haenle: Thanks for listening to this special episode of the China in the World podcast, done in partnership with SupChina. If you like the episode, please be sure to leave us a rating and comment on iTunes and head to the Carnegie-Tsinghua website for more work from our scholars.