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Transcript

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## CHINA IN THE WORLD PODCAST

Host: **Paul Haenle**

Guest: **Daniel Russell**

Episode 117: A Perfect Storm in U.S.-China  
Relations?

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**Haenle:** Welcome back to the China in the World podcast. Delighted today to be with my friend, former officemate in the White House National Security Council, Daniel Russell. Danny was a career foreign service officer until recently with over 30 years of experience in the U.S. Foreign Service. His last few postings most people know, but for those of you who don't, he served as assistant secretary of state for East Asian and Pacific Affairs from 2013-2017. In fact, no one has technically officially replaced him because they have not had a confirmed Assistant Secretary of State since then.

Prior to that position, he was special assistant to the president, senior director for Asian Affairs and the White House national security advisor. Prior to that, he was director for Korea and Japan, which was the time where we shared an office together and I got to see this very talented diplomat carry out his work which was quite impressive. Danny, who our listeners will remember was with us about a year ago, December 2017, when he was serving at the Asia Society as a diplomat in residence. Since then, Danny has retired from the Foreign Service, is still with the Asia Society Policy Institute, but now is vice president for international security and diplomacy. Danny, good to have you back. Thanks for joining us.

**Russell:** Thanks Paul. It's wonderful to be back with you at Carnegie-Tsinghua in Beijing.

**Haenle:** You know, I'm really glad to have you on the program, but I'm glad to be talking to you at the end of your week in Beijing. You've been meeting with government officials and scholars and business leaders, both Chinese and international. I want to get a sense from you just in general, where do you see the state of the relationship? We have had the vice president's speech not long ago. Here in China of course, the people heard that, people read that, and have come away with some conclusions, many that we're sort of entering a new cold war period, that the U.S. is out to block China's rise which is something that frankly we heard when you were serving in the Obama administration, and the Obama administration launched its rebalancing effort. What's going on in your view? Where are we?

**Russell:** Well, my sense is that there's something of a "perfect storm" affecting the U.S.-China relationship. There have been significant pressures and real discontent building, perhaps on both sides, but certainly within the United States for some time. It feels that just as those pressures, tensions, and frustrations were cresting, the Trump administration arrived.

President Trump has a very different style. He's got some core beliefs with respect to American national interests and American economic interests. The combination of widespread sense in the U.S. and elsewhere in the West that there's just something unfair here, that the way that China operates in the world, in trade, in technology, in other areas, has been an opportunistic exploitation of the international system. When it comes to following the rules or making compromises or adjusting, respecting the rights and interests of other parties, China talks a good game but its actions don't really live up to that.

**Haenle:** Last week, former Secretary of State Condoleezza Rice was interviewed by the National Committee on U.S.-China Relations, and Steve Orlins interviewed her and said, “You know, Trump is saying that the Obama administration, Bush administration officials, and even before that, were naïve about China, got China wrong, and missed an opportunity to address real challenges,” and asked former Secretary of State Rice, “Is he talking about you? What’s going on here?”

She said, “Well, you know every administration comes in with the view that previous administrations didn't get it right, and they’ve got all the answers,” and there’s some of that here obviously with Trump, but, what she said that was interesting was that many of the challenges that we’re working on, trying to resolve with China are the same set of challenges that we were working on with the Bush administration. It sounds like you’re saying something similar.

What are those issues? Where do we need some recalibrating? Where is it that China should step forward instead of saying it’s all about containment, recognizing that they have a role in terms of the policies that they’re pursuing or the reforms they haven’t pursued. Where do you see the important issues that need to be recalibrated?

**Russell:** Well there are important issues but there are also important processes. The dynamic in which it’s the United States that’s pointing a finger and telling China, “Do this, do that; stop this, stop that,” is a process that’s destined to failure. Let’s face it: in human relations and in international relations, there’s a real cultural dimension. Now, that’s not an alibi that says, “Oh, the Chinese culture is such and such, and therefore you can’t expect them to comply with international norms. You can’t expect them to respect universal standards because they’re really Western and China’s got a 5000-year-long culture that isn’t compatible with that.” I don't mean that as an alibi. My first boss in the Foreign Service was the former Senate majority leader, Mike Mansfield, who was ambassador to Japan, and I had the honor of working for him for four years, at the beginning of my career, the first two as his assistant.

**Haenle:** A legendary figure.

**Russell:** Yes, and a wonderful human being who really has inspired me through my career in public service. In the long list of wonderful sayings of Mike Mansfield, I’d put near or at the top the list something I heard him say again and again, which is, “Always listen to the other guy. You never know; maybe he’s right.” That doesn't mean that we have to take China’s alibis at face-value, but it does mean that we need to listen to what the Chinese are saying in terms of their objectives and their goals and their problems. It equally means that the Chinese have got to listen to us.

Any of us can come up with a target list of problem areas: the compromise of intellectual property by Chinese entities, SOEs and government; the use of cyber techniques to obtain corporate, privileged information, exfiltrate it, share it with Chinese companies, and then marketize it; the constriction of freedom of maneuver on the part of foreign NGOs, restrictions on international journalists, and the prejudicial and discriminatory treatment of foreign companies:

the threat of forced technology transfer, the pressure on Chinese students in the United States to comply with the party line in efforts to suppress open speech and dialogue which are hallmarks of American society and considered by us a universal value. There's a long, long list, but my own experience Paul, as a diplomat, convinces me that the finger in the chest approach isn't going to work.

The problem is that the persuasive dialogue, the reasonable discussion, the coaxing, the advice from a friend, that hasn't worked either. When people and former colleagues of mine in the Trump administration say, "Well, you guys in the Obama administration and the administrations before that tried this and it didn't work," it's hard to dispute that fact. When they say as the Vice President did, "Here's a long list of grievances. These are real problems," there's practically no one in the United States or more broadly in Western countries, that would dispute those concerns and complaints on factual grounds.

**Haenle:** In fact, many of them share those concerns.

**Russell:** Absolutely. I think that's something that the Chinese side needs to be very attentive to. They need to listen to that through what is perhaps the static of Twitter and the static of some chest-pounding noises from within Washington DC. The question then that we're faced with and the Trump administration is faced with is, "Well, if that didn't work, then what?" Now, I'm not an objective voice on the issue of diplomacy and negotiations.

**Haenle:** But you've acknowledged that the Obama administration had difficulty using the framework that it did to get the Chinese to address these challenges. I will admit in the Bush administration, I served for four and a half years there, we also didn't make enough progress on these issues. Trump's administration is using an approach which I hear you saying is not going to get them from A to Z. We did not address those issues, so how do we do that?

**Russell:** I think that as a matter of common sense, the answer is going to lie in getting the balance right. In this case, the balance between leverage and pressure on the one hand, and negotiation and diplomacy on the other. This pendulum has swung very far in the direction of confrontation and pressure and leverage, but in my view, negotiations and diplomacy are a little bit like what the definition of democracy as, "the least worst of all the political systems," as Winston Churchill said.

I don't think that a country as large and wealthy and powerful and proud and, in some ways, fragile or brittle in its political system as China is, is going to yield to peer pressure in the way that some in Washington envisage. Yes, pressure and friction and leverage are critical components. It's the old two-by-four, but now we've gotten China's attention. What are we going to do? How are we going to paint a pathway for resolution?

I think, Paul, that the pressure that has built over time has led to a shifting of the tectonic plates a bit, and we're in earthquake territory. The question that lies ahead of us is whether and when the plates and the dust settle, we are on some kind of constructive path to at a minimum

strategic co-existence, if not strategic cooperation, or if we're on a path to strategic confrontation and strategic rivalry. The fact is that, in human relations or in international relations, cooperation brings out the best in both parties. Rivalry brings out the worst in both parties, and we have to find a way to avoid that.

**Haenle:** Well, I think you're right. The pendulum has swung. The Trump administration seems to be using this obviously, pushing hard on China, putting pressure on China, confronting China on a range, as Vice President Pence laid out, of issues where China is increasingly undermining U.S. interests, but also the interests of the international community. They have avoided building cooperation with China, in fact, I think in some ways to give them more leverage.

Some former Trump officials and current Trump officials tell me that we actually disadvantaged ourselves in the Bush and Obama administrations because we cared about building cooperation on areas of common interest, and that led us to pulling punches in areas where we needed to be tougher on China. Clearly we need to make progress on these issues, we have disagreements, but we also have to consider the long-term relationship.

I have a beautiful daughter, one year old, by the name of Mabel. What is the U.S.-China relationship going to look like when she's 25 years old, 30 years old, and 40 years old? We've got to keep that in mind as well. As you look out Danny, we hear in China and others in the United States saying that we're moving towards a Cold War and that seems somewhat convenient and almost sort of I think minimizes or simplifies too great a degree what's happening here, but you mentioned long-term structural strategic rivalry. How much does that concern you as you look out 25, 30, 40 years from now?

**Russell:** It concerns me a great deal and maybe counterintuitively, I'm a lot less worried about a military confrontational crisis between the U.S. and China, although as you know, as a veteran of the EP-3 incident and given the recent near miss in the South China Sea, I've got a healthy appreciation of how quickly that can go from a military standoff to a political crisis.

**Haenle:** Imagine an EP-3 incident in today's environment. We were able to work through that back in 2001, seventeen years ago. It would be quite different today.

**Russell:** I'm not denigrating the risk in that kind of episode, but my own experience working with military men and women, yourself included, has convinced me that not only the U.S. military but I think increasingly the PLA is very professional and is dedicated to the mission not of fighting a war but of preventing a war.

That component of our societies is a professional and responsible one. I'm not saying something can't go wrong. To me the bigger risk is that the mindset of antagonism, this sense of adversarial rivalry, the negative stereotypes and the conviction that the other guys are up to no good, that this mindset begins to harden and we can find a generation in China, a generation in the United States, moving into the decisive positions of power and policymaking with a fundamentally hostile view of the other side. It's hard to break out of that.

Societies drive politics and policies in many respects. Both the Bush and Obama and the Clinton administrations and frankly, famously the Nixon administration, worked to try to build public support for a cooperative bilateral relationship.

**Haenle:** You know, in the Obama administration, some of the key areas where greater cooperation was achieved was the climate change agreement, and you had cooperation over the Iran nuclear issue. Unfortunately, those are two areas that the Trump administration has pulled out of. The Paris Climate Accord, the Trump administration has pulled out of the JCPOA, the nuclear agreement with Iran, but you talked this week about other areas where the U.S. and China should be cooperating. You mentioned pandemic diseases, for example. You know, at some point if the Trump administration is able to begin to address some of these areas in the economic and trade space and begin to make progress, you get back to the point where maybe the pendulum swings a little bit back and they want to bring in some cooperative efforts to get the balance a little more even.

What are some of the areas that you see and why for example pandemic diseases? I mean, where do you how important is that for the U.S. and China?

**Russell:** Well the basic logic of the 21st century is that the challenges that face the world are increasingly challenges that don't respect national borders. These are global threats of climate change, of pandemics, of violent extremism ideologies, of global trade, of infrastructure connectivity, of access to water, education, changing weather patterns, and so on. In other words, problems that can't be solved by individual national programs require collaboration.

Given that the United States and China rank number one and number two on so many relevant indices, it's just a matter of common sense that the solutions to problems or the ability to manage them to forestall some of the negative consequences is going to be vastly enhanced by cooperation between them and undermined by competition or rivalry between them, so that's just the basic logic.

I think that there's a difference in a fundamental mindset between the current U.S. administration and its predecessors, certainly speaking for the Obama team. Our theory of the case was that competition and cooperation in the U.S.-China relationship can easily coexist, and that we can differentiate between the areas where we each see it in our respective interest to pool our resources and try to tackle global issues such as the threat from Iran or the threat from North Korea or the environment, as you said, or Ebola in West Africa.

Thinking ahead, strictly on the basis of national interest, if China isn't helping to strengthen the infrastructure of public health in Africa and in Asia, then if the next version of SARS were to erupt, it's not going to stop at the Beijing airport. It's going to be in Los Angeles and New York and Chicago overnight. It's in our interest to cooperate. It's not just altruism. It's not Kumbaya.

The theory of the case for us in the Obama administration was, "Let's not conflate or link the problem areas with the areas where it's in our interest to cooperate. Let's deal with each on its own merits." So, on the problem areas, we looked if there was a pathway to resolve this problem.

If not, is there a way that we can narrow the gaps and reduce the friction? And if not, if these are irreconcilable differences, let's develop some mechanisms for managing them so that they don't preclude our ability to cooperate in areas in the space where it's actually in our interest to do so, the idea being that there are many strands to the U.S.-China relationship. Ultimately, if we're smart and if the other side engages in goodwill, these can converge.

What I'm seeing in the current administration's thinking is, and what they say to me brightly, very straightforwardly, is we're applying linkage. This is a total strategy, a whole of government strategy, a whole of the world strategy. As President Trump has at times said, "Well, if China is going to do this in that area of economics, well I'm going to do that in a different area of geostrategy. There's been a close linkage. Now as a matter of approach, I don't think that's a good strategy, but I certainly understand the logic that holds. We need to try something different. We need to try harder. We're beyond frustrated with the processes that the Chinese are comfortable with and have embraced that simply haven't really generated sufficient results.

What I hear from my colleagues in the current administration, is that China uses dialogue the way Muhammad Ali used rope-a-dope. It's just wear the other guy out, run down the clock, the bell will ring, you start the next round, and rinse and repeat. I'll say from my own experience that as a veteran of approximately 12 lifetimes in airless conference rooms negotiating with my Chinese diplomatic partners, I often felt that for them, dialogue meant simply reciting the party line, and there's a big difference between defending your position and exploring a pathway toward compromise and resolution.

If the current administration in Washington sees cooperation and collaboration with China as a kind of spider web, it's this sticky form of engagement that makes it harder for the United States to actually make progress. That perhaps explains the allergy they've shown at least so far to engaging in the sort of mechanisms of cooperation that are traditional in the relationship and at the Chinese side, is so comfortable with. Remember the first comprehensive economic dialogue anymore at Mar-a-Lago in the Hundred Day Plan. We've generated 112 outcomes. Well, what's an outcome?

**Haenle:** Oh by the way, I was with a CEO recently who was on that list of outcomes and still does not have what he was promised at that Hundred Day outcome. So that's another complaint the Trump administration had. Even if the Chinese side had agreed to things, they often didn't follow through.

Key to this then, based on your description, is figuring out a way to address these challenges. Central to the challenges is what the Trump administration is putting forward on the economic and trade relationship. Frankly, this is not unique to Donald Trump. As you know, if Hillary Clinton were president today, those issues would be front and center as well. I tried to get Governor Jeb Bush elected, and he would have been concerned about these issues as well.

So let's think about those issues and how you know, what can the Trump administration and the Chinese side do to make some progress. It seems so key to everything. Now President Trump himself talks a lot about trade deficits and he and the administration are using tariffs as their tool to inflict pain on the Chinese. The Chinese have come to the conclusion that this is really

just about containment. It seems a convenient narrative to me because as you've described there are actually real issues, structural issues in the U.S.-China relationship that need to be recalibrated. How do the two sides make progress because they've not been able to do it? President Trump just continues to add \$50 billion at first in tariffs, \$200 billion. He's threatening to go on that \$200 billion from 10% to 25% by January 1st, and he said he's willing to go all the way with \$200 billion plus more. That's obviously not going to get us where we need to get to.

You've got a lot of experience working on China and the U.S. government. How should the two sides get to where they need to go on this?

**Russell:** Paul, I think that in order to answer that question either in theory or in practice, first you have to decide what your vision is of "what there is." Where are we trying to go? What would success look like? Where is the landing zone? You can debate the relative merits of different strategies and processes for getting there, but if you're unclear, divided, or ambiguous about where "there" is...

**Haenle:** Some content people in the Trump administration don't actually want to make progress on these issues or find an outcome.

**Russell:** That I certainly hear a lot from the Chinese side and on the one hand, there can be an element of alibi to that, but on the other hand it's an important clue for policymakers in Washington. If the other side doesn't understand what your definition of success is, what you will consider to be a good outcome, then they're less able and less likely to help you get there. I think the Chinese can be forgiven for a certain degree of confusion. After all, the whole world is trying to adjust to a very unconventional Twitter style, a very personalized leadership style by the current President of the United States, but that can't be an excuse. I do think that it strengthens the point that treating this as a blood sport, an adversarial effort to gain advantage in to punish the other guy means that rather than listening and looking for a way forward, both sides are more likely to be looking to undercut the other one and that's not likely to help us find a solution.

The Chinese often say, "is the United States trying to change our behavior, or is the United States trying to change our system?" I'd go back to my original point, which is job number one is visualizing success and visualizing what an acceptable landing spot would be. If from the United States, the goal is a world in which China is competing on terms that the United States and all other countries consider to be fair, that by and large the same rules that apply to one country apply to other countries, even if it's a big and strong country with a proud long history and culture. If the United States can compete and win on some cases and come in second on others, if that's success, then the question is how do you get there? If you can get there by persuading the Chinese system and leaders to make adjustments in their behavior, so much the better.

I suspect that if policymakers in Washington conclude that that's not an open avenue then they do ask themselves, "well is changing the Chinese system the only way forward?" I'm not for a moment suggesting that's possible, that's desirable, and it's a very fundamental tenet of the U.S. political tradition that the citizens of each country get to select their own system and government. I



put no credence to these paranoid color revolution conspiracy theories. The United States under Donald Trump is, you know, not trying to evangelize a particular form of government.

The fact of the matter is that as frustration mounts at the inability to alter Chinese behavior, criticism and discontent with China writ large including its system will grow, and that should scare us because one great biblical tenet is hate the sin not the sinner. If American attitudes toward China sour and toward the Chinese sours, that's bad and it frankly affects a host of Chinese-Americans. It affects our willingness to be receptive and tolerant of other cultures, and of course the reverse is true. As attitudes harden in China toward the United States, that's really something that we have to avoid.

My mantra is focus on the behavior. We need to be able to articulate first where it is that we want to wind up, what kind of a world we want to live in. What is the landing zone? Ask the Chinese to do the same and begin with those areas of overlap and look hard at the areas of divergence. Then we turn to the behaviors that we think obstruct that and then we work on ways to design a process and a pathway to narrow the differences and to build on the common interest. I don't want to sound too romantic. This is a very partisan moment in the United States, a very polarized moment. This is a very political and frankly politically intolerant moment in China, but the U.S.-China relationship is not intrinsically a partisan issue in either country. We need to recognize that, and we need to find a rallying point in both countries for all spectrums of all parts of the political spectrum to rally behind not a strategic rivalry but to rally behind strategic cooperation, or at least coexistence.

**Haenle:** It seems to me one of the things you're saying is that the Trump administration likes to say when asked, "what is that vision? What do you want the Chinese to do? Where do you want this? What's the 'there?' Where are we trying to get to?" One of the responses we hear is that the Chinese know what we want them to do. There's a reluctance to be specific because of some of the worries about their negotiating style, but that's not sufficient.

The Chinese know. I mean in many ways. They probably do because many of these concerns that we've been talking about, whether it's market access or intellectual property or their industrial policies that disadvantage international companies are not only concerns put forward by the United States, but they're concerns put forward by Europe and Asia as well. The Chinese should have a sense of what the issues are, sort of what the contents are in terms of where we need to get to.

As you suggest, I think you're right in that it is about fairness in competition. As President Bush, when he was a candidate, said, "We don't have a strategic partnership with China. We're strategic competitors with China." It was also President Bush that embarked on some serious cooperative efforts with China. I agree with you. You can have competitive aspect of the relationship and you can also cooperate, but I think the administration, it seems to me through all the noise, is saying, "We are willing to compete with the China that's getting more powerful, that is a significant factor in the global economic system, but we want to be able to do it fairly. Because if not, that's going to be detrimental to the United States, other countries, and the international system."

One former U.S. trade official told me, “China has put itself forward as a champion of the global economic and trading system, but the truth is if every country operated its economy like China does, the global economic and trading system would implode.” So that’s not fair, and I think ultimately in terms of the vision of where we need to get to it is a leveling of the playing field, and I think the Chinese leadership would be smart to begin to think about the policies that it has that distort competition in the global economic trading system.

I’m respectful of your time. I know you’ve got other things here in Beijing, but I do want to talk a little bit about the G20 that’s coming up in the context of all that we’ve discussed because many Chinese experts and government officials and friends here are saying, you know, I really hope that the two leaders can come together and we can resolve these issues at the G20. Seems like a pretty big task for two presidents to take on, and I worry we’re having some very high expectations for what can be achieved.

How do you see the G20? How can the two leaders use it and do you agree with me? The expectations are a little bit high here.

**Russell:** Absolutely, and as I’m sure you’ve experienced in government, there is a strong temptation always to see the next meeting right as the turning point, as the decisive one. I learned long ago, you can’t wait around for the next meeting to somehow solve your problems. You’ve got to lay the groundwork and you’ve got to utilize as best you can every opportunity. The second point is being the victim or veteran of so many of these presidential summits on the margins of multilateral meetings.

**Haenle:** Yeah. It’s not just a meeting between the two presidents. There are a lot of other things going on there.

**Russell:** Right, and you know in contrast to, say, the Sunnylands summit that we set up between Obama and Xi Jinping early in Xi’s tenure or the Mar-a-Lago meeting, meetings on the margins of these multilateral affairs means that there’s tremendous time pressure. Everybody’s exhausted. It’s like a dentist office of bilateral meetings. So, one in one out and maybe they’ll have 60 minutes. Maybe they’ll have 70 minutes. The press is swarming. It’s very difficult to use those meetings to really dig down leader-to-leader and begin a process of problem solving. Typically when a meeting between leaders generates significant resolution of meaningful problems, it’s because all of the work has already been done and the two leaders are finalizing the terms and rolling it out. Clearly that work has not been done in the U.S.-China economic space. Instead what we’ve seen is an effort to soften up the Chinese side and by the U.S. trade representative and others and effort to lower the ambition and expectations of the U.S. side from China.

Paul, I think the most you could really hope for at the G20 Summit in Buenos Aires on November 30<sup>th</sup> is that the two leaders would reach a political decision that they would start a process. The United States has got to authoritatively and convincingly designate someone to speak for President Trump. The Chinese complain with a certain amount of justice that they’ve been hearing different things from different parts of the administration, that they’ve reached agreement

at one level only to have it overturned. I think they have to set some parameters for what this process would have to tackle and by when the two sides would have to report out. It cannot be an open-ended thing.

**Haenle:** So a road map of sorts.

**Russell:** Yeah, and even if it's fairly modest and fairly general, I think that could constitute a turning point. The big questions are whether the Trump administration, whether President Trump feels like the time has come when China would engage in this in a serious way, or whether we're still in spider web territory and whether Xi Jinping and the Chinese side feels that it can afford to show some compromise. It can't afford to show more of its bottom line, because of course the Chinese don't want to have the U.S. simply pocket more concessions and then turn around and say, "Oh but no wait, as we said we've got human rights concerns. We've got industrial policy concerns. We've got IP concerns and all these concessions that you've made are only the beginning." So frankly, it would not be easy even to get the process started, but I think that's the high end of what you could hope for.

Paul, I think part of it is, you know, the United States has been playing offense. The Chinese side has been playing defense, but is this really a football game? Or is it more like a global barn-raising where we have to bring something there. We've got to try to build something and leave something behind in the expectation that contributions that we make are going to be reciprocated by contributions that China makes. Competition is not a bad thing, but there are two basic forms of competition. One is competition in which we are trying to up our game and out-compete the other side. The other form of competition is when we're trying to kneecap the other guy, tie his shoes together, hide his helmet, deflate the football, but the precondition for the constructive healthy kind of competition that as I said before brings out the best in both sides is that the rules are clear and that the rules are observed. We each have to believe that the other side is playing fair and right now we just don't have that belief.

**Haenle:** Danny, thank you very much for your comments and your perspectives and for spending time with the Carnegie–Tsinghua Center this week. We did not get to talk about North Korea, but I would like to do another podcast with you, either while you're here on a future trip or over a phone call, because that's a really important issue and one in which you have an extensive amount of experience. You know, I worked on the Six-Party talks in the Bush administration and gladly handed that responsibility to you when you walked in the door under President Obama, and so I would like to talk to you about that at some point, but you have put some very important ideas forward today and I really appreciate it, so thank you.

**Russell:** Thank you, Paul. I very much look forward to discussion about North Korea as well.

**Haenle:** Absolutely. Thanks.

**Haenle:** That's it for this edition of the Carnegie-Tsinghua China in the World podcast. I encourage you to explore our site and see the work of all our scholars at the Carnegie–Tsinghua Center. Thank you for listening. Be sure to tune in next time.