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“State of Play: An Interview with Steve Hadley”

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Yuka Koshino: In this episode, Mike interviews Steve Hadley, former national security advisor and a principal of RiceHadleyGates LLC. Steve begins by sharing his journey from starting out as a young lawyer with an interest in history and strategy to the senior national security position in the White House. Mike and Steve then dive deep into the debate on U.S.-China competition. Who “lost” China? Is the Washington panic on China out of step with how the rest of the country views China? How can we best encapsulate the current state of the relationship? And are China’s domestic politics or foreign policy shapeable?

Mike Green: I'm very pleased to have with us today Steve Hadley, my former boss, the national security advisor for president George W. Bush, and a very active participant in second track and 1.5 track dialogue on strategic issues with Chinese scholars and former officials, which I'll ask him about in a moment. Steve has long experience in the national security space, not primarily on Asia, primarily on arms control, defense policy, and brings a broad perspective on our current strategic competition with China based on a lot of experience with strategy and policy with the Soviet Union and with other challenges to US interests.

Mike Green: Steve, I'd like to start off by asking how you got here. We have a lot of listeners who would like someday to be Steve Hadley, so how did you get here? You went to law school?

Steve Hadley: I went to law school, and while I was at law school, I was in Navy ROTC. So when I graduated from law school I had a three year commitment in the Navy, and I went into the Pentagon and served in an analysis group for the comptroller, who's the guy who manages the money for the Pentagon. And about a year and a half in, I had choices for a follow-on assignment. One was to go and be an aid to the deputy attorney general, and the other was to go the NSC staff at the National Security Council. I chose the latter, and it opened the door to giving me a career, not just in law, but also in foreign policy and national security and that's where I've been ever since.

Mike Green: What'd you study undergrad?

Steve Hadley: Political science-

Mike Green: So you were always interested-

Steve Hadley: What was called government at Cornell University where I went to school.

Mike Green: So always interested in politics and policy. Did you go to law school thinking you would be a more traditional lawyer doing litigation and things like that or did you have an eye on policy?

Steve Hadley: When I was at Cornell, I took Walter LaFeber’s course in diplomatic history. He was a wonderful diplomatic historian, and there are a whole group of people, Paul Wolfowitz, Eric Edelman, Dan Fried, a whole group of people who came to Washington and did foreign policy because they were inspired by his course. I was one of those people.

Mike Green: That's interesting. A lot of the people who've been on this podcast who've thought about and worked on strategy have pointed to history as their lodestar. It sounds like you're in that category in some ways, too.

Steve Hadley: I am.

Mike Green: National security advisors have been lawyers, professors and generals, generally. Law school training, legal training, how do you think it shaped the way you looked at strategic problems?

Steve Hadley: I think lawyers are not particularly good managers or strategists. They're not trained in either. What it gives you is a confidence that you can analyze a problem, that you know how to frame an argument and persuade and at the end of the day, if you have to write something, you can write it yourself. Those are all good skills. I think what you really want, though, is to supplement that with a sense of history and a sense of strategy so that you can do both. We've had strategists who weren't very good at implementation and execution and people who are good at implementation and execution but not very good on strategy. You need both.

Mike Green: I have to say, when we on the NSC staff transitioned from Condi to you, both were great of course, but there was a palpable difference in the dynamics. I think Condi challenged us a little bit more on some of the big questions. You challenged us in a good way a bit more on implementation, on some of our implementation ideas, assumptions, both of you, though, with a sense of history and the broader perspective. When you were on the NSC staff, the Bush administration was understandably preoccupied with the Middle East because of 9/11, Afghanistan, Iraq. How did you keep in your own mental map, a space for Asia, thinking about Asia? When you're thinking about strategy at a global level, how do you keep attention to regional dynamics and regional problems?

Steve Hadley: One of the explanations for the phenomenon you described is that in the first term, an administration is really getting their strategies and getting their policies in place. After a first term, a president knows what he knows or knows what she knows, has met with all the players on the international scene, so when you get to the second term, it's a lot more about implementation and execution of those policies you've developed in the first.

Steve Hadley: If you're a national security advisor, you don't have the luxury of focusing on any one thing. We had a number of issues with respect to China during the entire period of the Bush administration, the EP-3 crisis, where the Chinese forced down a U.S. intelligence gathering plane. Huge crisis at the beginning of the administration. We had the ongoing problem of Taiwan and the concern that Taiwan might go for independence under Chen Shui-bian. That was an issue that we needed to manage. While I was not trained in any way as a China specialist in the actual conduct of the job, and because of people like you, quite frankly, Mike and Dennis Wilder, I learned a lot about China and I had to do the job that the president gave me.

Mike Green: You were one of the Vulcans, the group that advised Governor Bush when he was candidate on foreign policy. Am I remembering that right?

Steve Hadley: That is correct.

Mike Green: Because I was not involved in the campaign. I was sort of parachuted in afterwards. So I wasn't there, but my understanding of the Vulcans was that there was a set of assumptions about Asia and about China. One was that we wanted a strong India and a partnership with India that we would lean to our allies, but we would build as best we could a relationship with Beijing. Do you think those discussions in the campaign set a kind of guidepost for you when these crises came up or did you have to re-address some of the assumptions from the Vulcans in the early days?

Steve Hadley: No, I think that's exactly right. The president actually came in with a notion that India was going to be a major player on the international scene and we wanted India to be a cooperative partner for us in dealing with global issues. It really wasn't phrased as, "We want India to check China," but it was India was coming in as a global power on its own and that within its own terms, we wanted India to be associated and a potential ally for us in dealing with global issues. The Vulcans had a view that when you go to Asia, you go not to China and then to your allies, you go visit your allies and get right with them and then you go to China, and that was certainly the way we approached the issue in terms of China policy.

Steve Hadley: We had a couple of things early on where the president during the campaign, unbriefed by any of us, said that in response to a question that he thought China was not a strategic partner, that China was a strategic competitor, which got a lot of attention at the time. And then a little bit later in early press conference after he was president, he was asked if the United States would come to the defense of Taiwan if invaded by China and he said, "Absolutely," thereby getting rid of about three decades of strategic ambiguity on that part. So in some sense, we had a rough start with China, but I think a number of us felt that being clear with China and fairly tough with China early on was actually a good place to start, and I think got the Chinese to listen to the president, to respect the president and provided a good platform for what became over time a very constructive relationship between the United States and China.

Mike Green: So one of the debates out there now is who lost China? We are now in a state of strategic competition. Hank Paulson, everyone says it. What president Bush said at the beginning of his term, actually during the campaign, about China being a strategic competitor is now kind of common wisdom. But there are a lot of people ... Paul Blustein had a piece saying the Bush administration lost China. Other people say Obama lost China. Some people say it goes back to Nixon and opening that somehow collectively, all of us were naive and lost China. How would you respond to that? Do you think what we're seeing today with Xi Jinping was unanticipated? Should we have anticipated or did we in some ways in the policies that were taken?

Steve Hadley: We didn't lose China because China's not ours to lose. China is a great country with a long history and is pursuing its own path as strong countries do. I think what happened,

the effort we did to engage China, to bring it into the international system was very successful. I think it did moderate China's behavior. I think there are many areas where China is playing a very constructive role, and it certainly benefited the US economy, not all aspects and not all Americans, but a large number of Americans in the US economy. And it certainly lifted hundreds of millions of people out of poverty.

Steve Hadley: So from a global standpoint, I think it was successful. But I think the biggest thing is that China changed, that China had gone, and you've written extensively on this. Deng Xiaoping's view was hide your capabilities and bide your time. That doesn't mean that China would not emerge on the scene, but it would basically defer that period of time. Xi Jinping had a different approach, that the future is now, and China became much more assertive economically, militarily, geopolitically, and I think it caught America by surprise. And I think we've gone through a period of strategic surprise, a bit of a strategic panic, "Oh my gosh, we didn't see this. China is coming," a little bit of sense to paint them a little bit like 10 feet tall. And I think without a strategy, we sort of had an attitude on China, which was pushed back everywhere.

Steve Hadley: I think people now have settled down a bit. People are beginning to start thinking about what is the nature of the China challenge, what are its strengths, what are its weaknesses, what advantages do we have, alliance relations being a principle one. And I think you're beginning to see a process, which I think will take a couple years to work out, of developing a more sensible and nuanced policy towards China, which will continue to have an aspect of engagement, but will also have much more competitive aspects. And the issue is, can we bound the competition in a way so it doesn't force us to become adversaries, which would be bad for China, bad for us, and bad for the international community?

Mike Green: So I think in the swamp, in the think tanks, which you know well, I would say there's probably an 80, 90% consensus that we need to step up competition. But you also have active interactions with the Hill and also, of course with your business, you do a lot with CEOs who are engaging globally. Is the Washington debate and the Washington panic out of step with where you think that the Congress or business leaders are right now in the US?

Steve Hadley: I think it is. I think the Washington debate is ahead of those communities and is, again, I think it's in flux. It's beginning to come to terms with what should be a strategy. There are sectors of the business community that are getting a lot of fallout from that. For example, in the tech community, the decoupling, the separation of the U.S. and Chinese economies, is very far advanced in a lot of these high tech areas. But there are other areas such as energy in the financial sector, in the healthcare sector, where when you talk to CEOs, they don't see any change.

Steve Hadley: For a variety of reasons, China welcomes US participation in their economy, in these areas, and so these companies are saying, "Yeah, I hear there's a political spat and we have a trade war and all the rest," but for my business, we still see enormous potential in China. And I think actually that's a good thing. I think the Washington policy community, again, I think because of the strategic surprise, is a little bit too monolithic

right now. And I think in some sense, we need more of a dialogue between the policy community, the business community, American farmers, and the high tech community to try and develop a more nuanced policy and strategy going forward.

Mike Green: Yeah, the public opinion polls have shifted in a negative direction for China, but in most of the polls that ask about China, Americans now, a majority of Americans say China's a competitor, but it's still 30, 40%, in that range, that think China is a threat, and that's changing. It's getting worse, but that is not where the elite sort of swamp policy opinion is. My guess is that the public opinion will move closer to the elite debate right now. But frankly, I think the elite debate is going to have to move a little closer to soybean farmers, to governors, to people who have a stake in the US China relationship that's positive.

Steve Hadley: And I agree with that. I think you're seeing it. You attend a lot of these China conferences like I do, and I think even some of the younger scholars, which were more hawkish on China, having not lived through the engagement period as you and I have, they're moderating their views and I think developing a more balanced approach about how we're going to respond to the competitive challenge, but in a way that still leaves open the possibility of cooperating with China.

Steve Hadley: And I think the other consensus that's merging that is very important is the problem starts at home. If we're going to compete with China, it's less what they do and more about what we do to get our education system back up, to get investment back in research and development, to get that cooperative relationship between the government, between our universities, between business, which has been a source of innovation. We've got to show that our political system works, that we can solve social problems, that our economy produces inclusive growth on a sustainable basis. We've got to fix problems at home. If we do that and establish a firm foundation here at home, taking care of our own security and prosperity, that'll be the platform in which we can deal with competition with China, Russia or whoever. But it really starts here at home.

Mike Green: So the big prize in China policies to come up with that catchphrase are in Chinese, the six Chinese character phrase, that captures the relationship, and it's been elusive in the Clinton administration. Jiang Zemin pushed the idea of a strategic partnership. That's what prompted president Bush in the 2000 election to say they're not a partner, they're a strategic competitor. Then, Bob Zellick in 2005 wrote his responsible stakeholder speech, which was criticized, but if you read the speech, it's pretty tough on China, actually. And then in the Obama administration, Xi Jinping proffered this new model of great power relations, which didn't last. It's a little bit of an unfair question, but is there a Steve Hadley six character phrase or a way that you would try to capture where we are in the relationship right now? It's probably not strategic partnership, I think it's fair to say, but where are we?

Steve Hadley: I think it's much more like competitive coexistence. I think most people believe that a new cold war with China is neither necessary nor in our interest. Secondly, we've been through one cold war with Soviet Union that ended up with the collapse of the Soviet Union and the death of communism. This isn't going to end this way. China is a much

more formidable competitor than was the Soviet Union because it brings economic and diplomatic dimensions that the Soviet Union never did. So this is a really formidable challenge. But at the same time, I think in the end of the day, we need find a way to live with this new strong China, but recognizing it's in a much more competitive way, economically, militarily, and ideologically.

Mike Green: I like that. I'm going to use that, the competitive coexistence. So when you break that down, what does that mean, for example, democracy and human rights? I mean, can we as a country that values human liberty, as Bush's second inaugural address was largely or almost entirely focused on that, principle and American foreign policy, so how do we have a competitive coexistence with things like Xinjiang and Hong Kong? Do we set it aside? Do we prioritize it? How do we put it in the right context in a strategy of competitive coexistence?

Steve Hadley: Well, it's very interesting. When we had a real cold war, which was with the Soviet Union under the Ford administration, they signed up for what are the Helsinki Principles, which if you haven't read them recently, it's interesting to read. It is everything we could have wanted a country to sign up for in terms of religious freedom, human rights, rule of law, freedom, even the dreaded D word, democracy. Now, Russia, the Soviet Union, signed that document and was violating it at the time it signed it and every day thereafter. But nonetheless, the fact you could get the Soviet Union to sign onto a set of principles gave us a tool with which to pressure the Soviet Union on those very principles, and I think that's what we have to do with China.

Steve Hadley: We have to try to agree on a set of principles that entail as much of our focus on democracy, freedom, human rights and rule of law as we can and build that into a revised and adapted international order that includes China, but at the same time, working with friends and allies and other likeminded democratic states to be holding high, as the Chinese would say, holding high the banner of freedom and democracy and standing up for those principles, but recognizing that there are other issues with which we are going to have to deal with China. There's always a tradeoff between how you advance those principles and at the same time deal with a country that does not subscribe to all of them on other issues where it's in our mutual interest to deal with them.

Mike Green: Another really vexing problem, I think, for the next generation of strategic thinkers on China is if we are in a competitive coexistence, how do we avoid slipping into spheres of influence? For example, we have very limited reach in central Asia or Mongolia where I spent August, but those are places that want a strong relationship with the U.S., in the case of Mongolia that doesn't want to fall under the Chinese hegemony. And I assume you're not talking about kind of peaceful coexistence, which is quite different from competitive coexistence, because peaceful coexistence assumes spheres of influence. How do we influence those spaces that are kind of part of China's belt road that are not so centrally ... Obviously Japan or Australia or India or going to be with us, but what do we do about those places like southeast Asia, Mongolia or central Asia, where our reach is not what it was and China's is greater?

Steve Hadley: Well, Mike, as you have written, when there's an emerging new great power, the deal they always like to strike is that they will cooperate with the rest of the world on global issues as long as you give them a regional sphere of influence. And we have to make clear to China that that is not on. We're not going back to spheres of influence either in Asia or quite frankly in central Asia or in Europe, as the Russians would like to do. And that requires us to be present in Asia, politically, economically, diplomatically, militarily. It requires us to work with our friends and allies in Asia. It requires us to be present in the effort to build the infrastructure that the world so desperately needs and a lot of which has to be in Asia.

Steve Hadley: But Charlene Barshefsky and I did a study of CSIS on global infrastructure, and if you look at the requirements in Asia between now and 2040, it's in the tens of trillions of dollars. So when China says they're going to give between 1 to \$2 trillion for infrastructure in that part of the belt road initiative, it's a drop in the bucket. That's a huge opportunity for the rest of us to both be present, to give countries alternatives to China, to insist that China respect, agree to international principles of what quality infrastructure looks like, and where the Chinese are willing to do so, we should be prepared to cooperate with the Chinese. This is again, this competitive coexistence. Cooperate on our terms, put pressure on them to adopt our terms, but to be present so we can indeed compete. That's what we need to do.

Mike Green: You've done so many of these dialogues at such a high level since you left government on strategic issues and on a bipartisan basis, I've had the great opportunity to participate in some of them with you. And so in some ways, I think you have probably more strategic dialogue with Beijing right now than the administration may have. So one of the big questions I think we'll have to answer is, and it's a Pentagon kind of question, but is China shapeable? Is China on a trajectory now where we have to hedge and do our best or do we have the ability to actually change thinking in Beijing, sort of bend the arc of history somehow so that China is a more cooperative partner? And you're in these dialogues. What's your sense from senior thinkers in Beijing?

Steve Hadley: I think China's also in a bit of a strategic shock, as well. They have not really understood that the trade policies, the Trump administration is not just an idiosyncratic characteristic of the Trump administration, but reflects frustrations and grievances that are shared by Republicans and Democrats more generally, and that the relationship is going to change. We are going to have a new relationship with China. It is a new era of U.S. China relations. So I think the dialogue among Chinese that you can access in track two settings has some catching up to do with events. The problem, of course, is the people the Chinese allow you to talk to, and track twos are not the people who are making decisions. And really, few Americans are able to reach into Xi's inner circle.

Steve Hadley: I think we have modest ability to shape internal developments within China. I do think we have much more scope to affect Chinese behavior because China does have as a priority its own development and Xi Jinping paying understands that he needs a fairly stable international context. If he is going to achieve what he's promised the Chinese people, particularly that by 2049 they will be a modern country, he can't get there if there's an international crisis, and that gives us actually enormous leverage on China's

external behavior. And to the extent you can leverage and affect their external behavior, you can have some influence on what happens internally within their politics, but I think we have to recognize that in terms of internal developments in China, and you may have a different view, I think our reach is pretty limited and our ability to influence is pretty limited. But I do think we have leverage on the international behavior and we should be using it as part of this competitive coexistence.

Mike Green: Yeah, I think we do have some considerable actual influence. I remember after the election, I worked for John McCain's campaign, and I had agreed to do Radio Free Asia the morning after the election. McCain lost, so I was not in a happy mood, and I went on Radio Free Asia and they told me they had 10 million Chinese listeners.

Steve Hadley: Oh, interesting.

Mike Green: Which of course is a teeny drop in the bucket in China, but that's a lot of listeners. And I praised Barack Obama and I talked about what he meant for us and our history and things like that, and it was a call-in show. So Chinese were calling in who had access to this stunned at our democracy, that we elected this person who looked so different from previous presidents. So in small ways, we can shape things internally, but it's going to be harder for a while because of Xi's crackdown.

Mike Green: I wonder, when you were in on the job in the NSC, Bob Zoellick, when he was deputy secretary, and then I think Secretary Clinton had very good dialogues with people like Dai Bingguo and you mentioned earlier that strategic surprise really knocked both Beijing and Washington off track and is contributing, I think, to this current tension. I'm wondering, can we get another kind of Dai Bingguo type dialogue with China or are the politics in both countries just too broken or nationalistic right now? Because that made, I think, a big difference. Most people didn't see it, but there were not surprises when we had those dialogues.

Steve Hadley: I think that's right. I think as you said early on in this conversation, we're in a two to three year period where each country's got to get its own thinking a little bit in order, and I think it will be difficult to have kind of sustained dialogue during that kind of transition period. There's also always a question, "Well, who would handle it on the Chinese side? Who would handle it on the U.S. side at this point in time?" At some point-

Mike Green: You could pick the wrong person.

Steve Hadley: You can pick the wrong person, and at some point, it has to be between the two leaders, but of course, the ability of them to meet on a sustained basis and to develop a kind of in-depth conversation is very limited. So someone needs to be empowered on the two sides, but I don't think you're going to see that for the next year and a half, partly because we're going through a presidential campaign season on our side and because as I say, both countries I think have a bit of catching up to do with events and getting their own thinking and house in order before I think you can have a more constructive government-to-government dialogue. That's why I think it's important to have these

nongovernmental track two, which on the Chinese sides, have a semi-official cast to them because Beijing is very aware of what goes on in these dialogues. I think in the interim period, the best we can try to do is have a strategic conversation in this track two non-governmental channel.

Mike Green: I was brand new on the NSC, so I was like a deer in the headlights, so my recollection may be wrong, but what I remember is that after the EP-3 incident, the president, President Bush, realized we did not have that kind of dialogue, and he took it on himself with then president Jiang Zemin to establish a trusted dialogue. But even at the beginning of the Bush administration, that crisis of EP-3 revealed how weak actually channels of communication are institutionally between Beijing and Washington.

Steve Hadley: As you remember, it was days before we could get a hold of Jiang Zemin. He was traveling in Africa at the time. I think one vignette that shows I think a little bit how Bush thought about Africa, about dealing with China, you remember he met with Hu Jintao at one of these international meetings and he said, "I have good news and bad news. Which do you want first?" And Hu said, "Well, tell me the good news." And President Bush said, "Well, I'm coming to the Beijing Olympics and I'm staying there with my whole family and I'm staying there the entire time," and you remember there was talk at the time of boycotting those Olympics, as well.

Steve Hadley: Hu Jintao was very pleased and said, "Thank you very much. The Chinese people are going to be very grateful to you," stood up, and Bush said, "Mr. President, you haven't heard the bad news yet." And so Hu sat down and he said, "I'm going to be on Capitol Hill giving the Dalai Lama the congressional gold medal." And Hu Jintao said, "Well, Mr. President, the Chinese people are not going to understand." He said, "Yes, I know they're not going to understand. I told you you weren't going to like it, but I have to do it, and I'm telling you." And I think that's one of the things that we have to be with China, clear where we can cooperate, clear where we're going to be disagree, candid about where we're going to disagree, where we're going to compete, but manage the competition so it doesn't drive us to becoming adversaries and enemies.

Mike Green: That anecdote captures it all. And that's how Theodore Roosevelt approached a rising Japan at the turn of the century. I think it's a Ronald Reagan approach to the Soviet Union. If you're true to your values and consistent, but don't lose sight of power, that's the essence of good strategy. Steve, thanks so much. I think a lot of people are going to really learn from what you shared with us today and I really appreciate it.

Steve Hadley: Delighted being here.

Mike Green: Thank you.