

James Green

“U.S.-China Diplomacy: 40 Years of What’s Worked and What has Not”

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Thanks Jean. Can you all hear me OK? It's great to be on Stanford campus, I grew up in a university town and as Jean said I live in Berkeley now and so it's nice, you guys always have beautiful weather here, it's great to be here. And Freeman Spogli Institute is just amazing, the number of people you have, a number of former colleagues of mine from the US government, Karl Eikenberry, who I worked with in Beijing when he was the defense attaché, Thomas Fingar who is an incredible China expert. And I remember actually right over there, I brought our former ambassador Max Baucus here who is a undergrad and law school graduate from Stanford and we're right here on the lawn when he had to give his speech and he was preparing it and I said, sir "would you like to prepare a little bit more" and he said "no, no it's fine" and then about two hours before he's supposed to give the speech, he said oh yeah we really need to change this up. And it was Alumni Weekend and we sat under one of these big tents that were right here in front of Encina Hall, so nice to be back here.

As Jean hinted, I'm a practitioner, not an academic, I have a Master's degree but I'm not deep in international relations theory. I should also say my connection to this building is, Professor Steve Krasner hired me to work for him in policy planning staff when Condoleezza Rice was Secretary of State and his office was just down there. And he's a wonderful mentor, and one of the most humble guys that I've ever worked with in US government, and there's not really that many humble people in the US government. What I want to do today is talk about my podcast series, some on the process but also kind of why I did it, and what I found out, what I learned and then I'll end with where we are, and I'll use some of that framework where we are on the trade negotiations and then happy to, as the Chinese say, have free talk afterwards on if people have questions about what different parts of the trade negotiation means, what's in the discussion, and what is likely to be the outcome.

For this series, after five years at the U.S. embassy working on trade, I didn't know what I wanted to do when I grew up but I thought, you know, there's something wrong with the narrative of where US-China relations are going and so I wanted to try to capture from the practitioners themselves, senior people and middle-level people that spent their career or spent an important part of their career dealing with the Chinese government and had to try to advance US interests. So I spoke to, I think, 23 officials is the number I've interviewed now, for the project and essentially from the Cabinet Secretary level that would be at Secretary of Commerce or US trade representative down to kind of the deputy level and then the assistant secretary level which is the one that actually knows what's going on and has time to do things. So at the State Department the assistant secretary for East Asia is the one who covers East Asia. Susan Thornton is one of the people who I spoke to, she became a bit well known because Steve Bannon specifically targeted her to get out of the State Department because she was seen as too soft on China. Rex Tillerson was going to nominate, she's a career foreign service officer, for the position permanently and that would require Senate confirmation so Tillerson left and then the Trump administration decided to not continue but she's the kind of level person that I try to reach both the working level senior and then higher up to get a balanced view of how the United States dealt with China since normalization. So, Dick Solomon wrote this book on Chinese political negotiating behavior which looked at normalization of relations between the US and China in the 1970s, what each side did mostly what the US side did, how we prepare and try to address the different issues to establish diplomatic ties. So like that background

was well covered so I wanted to cover 1979 onward and how has the United States dealt with China so I looked at a couple of pivot points and I brought people in to talk about them and the ones that are that I tried to talk about in this discussion with these former officials were certainly normalization of relations, the anti-Soviet cooperation in the 1980s, Tiananmen Square crack-down, the Taiwan Strait crisis '95 '96, WTO accession in 2001, the Belgrade bombing and EP3 incident '99, 2001, the global financial crisis 2008, maybe Beijing Olympics in there too and then current trade conflicts so I tried to get kind of what were the pivot points in US-China relations and what did US people think about it.

So there are six reasons why I did this project and I'll get into substantive reasons first, and then I have some more mechanical ones, the substantive reason is, there have been a couple of articles come out in the last year about how US failed China policy. I'm gonna quote a couple them here, they're all well written and they're all really smart people, so I'm not denigrating the people writing them, what I'm denigrating is some of the logic that I think is a little flawed. So Kurt Campbell and Eli Ratner who were Obama administration officials wrote a piece in *Foreign Affairs*, 'Did America get China wrong?'. I would say for the China watching community, their piece is probably the most widely read and basically their argument was gee, no one realized China was going to become such a single-party juggernaut and we all thought China was going to become a liberal democracy. I'm oversimplifying for my argument's point, but when I read that I said, well you know, I've been involved since the mid-nineties in US government dealing with China I don't remember anyone thinking gee this place is going to become a liberal democracy so you set that up as the goal, yeah sure US policy has failed in China. US policy has also failed in Turkey and Egypt and Saudi Arabia almost every other country if your goal was ,we want a prosperous democratic free country then US policy doesn't stand up very well if that's the goal. And so the the three articles that capture that is Eli Ratner's and Kurt Campbell's, Aaron Friedberg is a professor at Princeton, extremely smart, he worked for Dick Cheney in office of Vice-President, he has an extremely good article that I recommend you read in *Survival* about American's failed China strategy and it took me five or six readings to kind of get through it and it's just really extremely well-written and Aaron Friedberg has been consistent in saying the US and China are on a collision course because the Chinese government and Communist Party has a view that they need to be dominant in their region and in many parts of the world and that's going to collapse the US, that's his argument. And he's had it for at least 20 years, he's consistent and extremely good writer, um it took me only four or five read-throughs to kind of figure out where I thought was a bit of a flaw in the way that his logic in kind of telling the history of what happened with US China. And at one point he talked about end of the Cold War and the US government was looking to make a Europe whole and free, these are his words and then he said well then the same was true for Asia. Well not really no one in the government that I spoke to was talking about making Asia whole and free, but the idea that you would use the kind of framework for Europe and its particular history and integration as how we should view a goal for Asia, no one that I know kind of thought that way. And so I wanted to, through this series, get US officials who had actually dealt with the Chinese on the other side of the negotiating table say what were the US goals and what were we really trying to do and did we achieve that, did we actually get something out of this dialogue with China.

I have to say just one note on the title of the podcast, its not my choosing. I want to pick the Pavilion of Purple Light, "*xi guang ge*" which is this pavilion in Zhongnanhai, the Chinese leader's compound that has been around since Emperor Qianlong. The Chinese, the Qing Dynasty and the current Communist dynasty use it as a way to wow foreigners and if you're like a really special foreigner, they will bring you in and you will get special treatment in that room and you will really

understand what Chinese leadership thinks. And I wanted to try to use that name but the University of Georgetown has a broader initiative called US China dialogue and so they wanted to brand my project the US China dialogue project so here we are. So that was my motivation to have the officials that were involved in this debunk this idea that no one was paying attention or if we were paying attention we wanted China to be a liberal democracy, that really wasn't the goal.

That was the kind of the main reason why I want to do this project, the other one was I felt like the word talk had become a four-letter word with China but somehow if we talk to China we'll lose our shirt because the Chinese are such master negotiators and we don't really know what we're doing and at the beginning of this administration you saw basically for the first year an unwillingness to have any sort of dialogue structure, they kind of dismantled the old dialogue structures and we can run through the alphabet soup of all those and they were problematic they weren't perfect, the strategic and economic dialogue, the joint commission on commerce and trade, we had about 50 different dialogues and most of them kind of withered on the vine. And my view is that if you want to get anything done with another country they're a sovereign state you've got to tell them what you want and then try to show them how what you want is in line with what they want and that's how you move forward in trying to advance US interests and if you don't talk to the other side what I saw the beginning of this administration was this view of how you might discipline your seven year old and I say that with a seven year old which is you know what you've done wrong, you know how to fix it and that's just not a practical way to actually get results with any country, much less with China.

So I wanted to resurrect the lost art of diplomacy and try to have the practitioners of it say hey this is how we actually get into a meeting with the Chinese official, I have some of the time, I know you will listen to it because I know it's great, but one of the things I ask people to do is say okay what happens when you walk into a room with Vice Premier, how do you actually know where to sit and for those of you who have been in Chinese government meetings it's very awkward horseshoe shape in which the head of the foreign delegation sits in the kind of the bottom of the horseshoe and then the Chinese leaders sits on the other side and are flanked by the people there and for most Americans it's just incredibly awkward way to have a discussion, you kind of have to turn your head this way a little bit, you have an interpreter and you can't have notes, it's just very it's very foreign for most Americans who want to either sit at a table or to sit in normal chairs and not have this horseshoe setup. I want to go through some of the mechanics so people realize this is what has to happen if you want to deal with Chinese government officials on their territory. Of course, when we host, the United States we don't have those silly u-shape things we just use tables which Americans are used to. So I want to try and resurrect this idea that we can talk to the Chinese government, it's not terrible, you tell them what you want, you try to make it easy for them and hopefully you can find some joint areas to work on.

The third reason I did this as Jean hinted at, I felt like I had the access to these former officials, most of them I've worked with over the years, not all of them some of them I got to know through this process but I had a good series of about 10 people who said yes John Negroponte, first director of national intelligence, ambassador to the UN, joined the State Department in the Eisenhower administration and actually when he started Steve Krasner said 'wow what job hasn't this guy had', this guy has done everything, he was ambassador to Latin American countries, ambassador to Philippines and I thought yeah I worked with him when he was deputy secretary of state, I could probably ask him to do this he's someone who ended his career as deputy secretary of state and has a respect for diplomacy and dealing with other countries and so that's someone who I have access to

and certainly there are journalists or other researchers that might have that but I thought well I've been fortunate enough to work over the last 25 years with a range of officials so why don't I try to see if they'll talk to me. Not all of them had said yes, not all wins, a couple said they weren't interested in being on the record that's the way it is, but most people by and large want to do that.

The fourth thing that I found is there's a really amazing technology now for recording people's voices and making it broadcast quality without having to actually set up an NPR studio, you can buy really high quality microphones and a recorder and mixing and graphic design, it's pretty straightforward and not that expensive. So I thought this is a good kind of technology time to be doing this. The State Department has these series of oral histories and for anyone who's done research on US diplomacy, they are published documents, they are in here about five six seven hundred pages lengths, they're quite long, one of the people I interviewed for this project was Winston Lord our ambassador to China but also assistant secretary for East Asia, he was one of Kissinger's main aides and he said oh yes James, I have the longest page total of any interviewee in the State Department's oral history project and Tom Pickering who is an undersecretary of state, he was getting close and I told him if he goes over my 1,300 pages, I'm going to go back in and give them more pages. And so the problem with oral history is that if you're a scholar, it's great, extremely detailed minute by minute what this person did, but I wanted something a little bit more accessible for the people who aren't researchers, people who an hour long commute or 45 minute commute and want to hear okay how do you deal with China and so I thought this is a more digestible way to get into some of these issues.

Finally, I think my experience has been the US government is very bad at record-keeping and it's only gotten worse with growth and technology. On the one hand the connectivity is amazing, you can call anyone, email anyone anytime and you kind of have to respond if you're in Washington or Beijing or anywhere else overseas. But the downside is that the negotiating history that used to be written up in these diplomatic cables, that's kind of a lost art, some things are written up and some aren't, and so with the use of WeChat and other communication forums we don't have a good place to say well you know how do these negotiations go down, particularly compared to when we started the normalization problem 1972 to 79 and Brzezinski and Kissinger and their involvement, there's a very good record on that and most has been declassified by now. But for where we are now in the last decade, there's this drop-off in reporting of what happened and so my feeling is we have to know ourselves, I think Socrates said know thyself so we have to know our own negotiating history of what happened when we did this with the Chinese government. The reason I said that is that the Communist Party is nothing if not a good record keeper, they keep records on everything. One of the reasons why I started this project speaking of John Negroponte is, he has this great photo shaking hands with Zhou Enlai because Negroponte was a senior director at White House when we were negotiating a peace treaty with Vietnam. He went and talked about it on the podcast, he went with Nixon to Moscow for a summit with Brezhnev and then they had a little meeting outside Moscow and afterwards they went to brief the Chinese, so to tell the Chinese here's what we told the Soviets on what is happening in Vietnam and what will happen with the Vietnam War peace process. And at that meeting Zhou Enlai shows up and shakes hands with John Negroponte and Henry Kissinger was there, and so the Chinese Xinhua News Service had taken a photo of Negroponte shaking hands with Zhou Enlai and the optics were all wrong because Negroponte is a big guy and Zhou Enlai is not so big, and Negroponte has his hand going down like this, big grip and grin and Zhou Enlai is looking up not sure I want to do this, and they had that photo but said Xinhua never produced it because they never published it because the optics were wrong for showing a strong China, China that was on equal terms with foreigners. But I wanted to capture

those sorts of recollections of people to say like this this is how the charming and thoughtful and how good the Chinese government can be at keeping records, so fast-forward four decades later the Chinese government gave that photo to John Negroponte when he became Deputy Secretary of State and they said oh yes we remember you, we know that you were involved in the Paris peace negotiations and you came to Beijing and briefed Zhou Enlai, here is this photo. So what I wanted to do is this is not an oral history project, I'm not interviewing over 300 hours and writing it down, but I wanted to capture that because I feel like the United States just isn't so good at remembering our own negotiating history with a place like China.

And finally, this was a bit of a vanity project, I've been told since I was 15 that I had a voice for radio or some someone said oh yes you have a face for radio so now I thought let's figure it out, do people want to listen to me for a half an hour or mostly it's the other person talking so it's been fun from my point of view, I've never done podcasting before, and we got these high quality microphone and it was a challenge, but I wanted to see would I be able to produce this sort of thing, you guys can hear for yourself.

There's a couple problems with this approach that you could say from a kind of academic point of view and then I want to talk about what these people were like and what I learned from them. One of the problems is people will say well this isn't very strategic, you were talking to assistant secretary level people, deputy secretary, those aren't the big thinkers in the US government and it's not representative enough, that is you talk to 22, 23 people that's hardly the whole US government and that is absolutely true, I'm not going to talk to 500 people, I could only talk to a limited number it so it's not representative, I tried to get different administrations, different specialties, trade, non-proliferation, military, but it's not perfect. And as for people being strategic I worked on the policy planning staff in the State Department for four years in two administrations and Bush administration, beginning of Obama administration and I would say US government doesn't do strategic thinking that well, that's the place in the US government where it's done at all and strategic in that sense is two or three years out because that's the most you can really plan for, then you're gonna have a new administration and new officials come in, so I think you could make the argument that my these people that I was talking to were not strategic but there are many different elements that go into foreign policy and despite Mike Green's book, who was my Professor in graduate school, on *By More Than Providence* on US grand strategy towards East Asia since the revolution, I don't really think we have a grand strategy and much of our foreign policy ends up being very reactive and we have some ideas but the idea that we should have had a more strategic part in China that would have changed the outcome, I just don't buy it. The other thing I would say the problematic part is these are people who I had access to and I interviewed and I respect a lot of them, that's clearly a bias on my part, I think they know what they're talking about and I'm interviewing them because I think they know what they're talking about, there are other people who I don't respect that much and I didn't interview and so there's a bias into people that I picked, again I think it's representative but someone could say that is not the case.

So one thing that before getting into kind of what I learned is, one thing I found interesting in just looking at the backgrounds of these 22, 23 people was what they were like as individuals and as policymakers. One was a number of them had missionary ties to Asia, their parents were missionaries in Asia and they grew up in Asia, the most well-known example is Stapleton Roy who was born to missionary parents in 1930, spent the first 10 years of his life in Chengdu speaking Sichuanese, not even Mandarin, and then left for a year or two and came back went to middle school high school in Shanghai and Nanjing and then came to the US for university, then joined the

Foreign Service, started studying Russian and then when the opening to China started he got involved in that, he was our deputy, our liaison office in Beijing, became the number 2 there then came back later as ambassador after the Tiananmen Square massacre. And so there are a number of people who have that background were in Asia and grew up in Asia and had that and I realized doing my own kind of self-reflection, is I actually was introduced to China as an English teacher kind of like the Volunteers in Asia program that Stanford has, I went on Princeton in Asia, they sent me to Wuhan to teach English and that was in the early 90s when China was quite different so, I was not a missionary and I was not proselytizing, but but there are a lot people with that background and some people could say well that makes you kind of naive, you don't really know what's going on and you hope to convert these people to something else and I actually think it gives you a pretty good understanding of the challenges of of both the place you're in but also your own culture and your own society and where the shortcomings are and so I saw that as a strength that these people were quite worldly and had a view what could be done and what couldn't be done and no one thought they were going to go to China to change China for US policy or growing up there.

The second thing is a lot of people not surprisingly that I interviewed were involved in Vietnam War, for that generation of US government officials, I mentioned Win Lord and John Negroponte, but a fair number of them they were on the ground either in Vietnam or in Saigon or working in the Washington end of it and I think that gave them a realistic view of how to deal with an enemy state, a communist state that we're at war with but also how to deal with reconciliation and how to deal with the aftermath of war and so and they've had a good view of what the region was like, so I felt like that give them a realistic sense of this is how you deal with a power that's maybe friendly maybe not and China is sometimes friendly sometimes not so I thought that gave them a good grounding. And then a fair number of these people worked on the Soviet Union, again I think that is a good training ground for dealing with a country like China, that is both the Leninist party system but also a country that is difficult to get access to, its a society that's not open like ours, how do you deal with a country like that. And I would just say as a side note, a number of the trade people I spoke to had worked with Japan in the 1980s and 90s and I think dealing with China today on the trade front, you learn a lot of state-led capitalism from working with Japan in those days. So I would say these were generally kind of realists in the framework of academics, people who had experience dealing with other powers, really hard to deal with sovereign states to get them to things you want them to do, that's just the nature of diplomacy.

So, what did I learn. 1, 2, 3, 4, 5, 6, I have six conclusions and I'll give a couple of examples, and none of these are surprising, these are the basic building blocks for how to deal with a foreign power that I think are also relevant for dealing with China. The first one is prioritize. Chinese leaders leave complex lives we really got it boil it down to here is the two or three things that we need from China to make our bilateral relations a success and when the US was able to do that we were actually able to make a fair amount of progress.

The next one is for example Bob Einhorn and Todd Stern, Bob Einhorn is a non-proliferation specialist, Todd Stern is a climate change envoy in the Obama administration. Both of them those were issues at the time in the 90s those were main issues for the US deal to deal with China, climate and non-proliferation, and these two guys spent hours on the ground in China and that was a priority for the administration and for these people who were working on them so I talked to them about, all right, the administration decided this a priority, how do you actually work with your Chinese counterpart to get China to stop sending bad stuff to Iran and Pakistan, Syria, Libya, North Korea, I'm sure I'm missing some other rogue after there, or how do you get China to change its

view of climate change which was when the US started talking to China about climate seen as a problem of wealthy countries, you guys polluted the environment and you guys can clean it up, so we're not gonna do anything and China changed maybe 175 degrees to say yes we have things that we really should be doing, it wasn't only because of US pressure, it was also because the air in Beijing is choked as can be and for that we have Gary Locke to thank in some ways because when he was our ambassador to Beijing our air monitor was put up and we really Tweeted out the hourly readings of the PM 2.5 measurement, for those of you who have been to Beijing, or care about the air quality here when we had the campfires you kind of would know that PM 2.5 is bad and when the level is too high that is bad and so I think that was that we as government well but on the negotiations Todd Stern really spent four years five years working with the Chinese government to change their view on climate change. I used those examples to say we can actually do things with China even under even under Xi Jinping, so prioritize.

Second have leadership buy-in, that is both on our side but also on the Chinese side, it's a top-down system, if it's not agreed to and put on the radar of the top the head of the Communist Party and the Premier then we're not going to make much progress around what the issue is. There's little room in my experience Chinese government officials are extremely smart they work really hard they're not particularly creative and they're not rewarded for being creative in the policy realm, the US system is a bit more rewarding for political points that come in and outsiders and even career people, I've got my deal let us try to work on this, and you can kind of get a lot of mileage out of it, and you can get the Secretary of State, Secretary of Treasury that you can do a lot. And Chinese system they're just much more cautious and conservative so that doesn't come out, so if you don't have that leadership buy-in, the chance of something working at a big strategic level is not good. The other thing that almost every single person that I interviewed talked about is, the US would use the pomp and circumstance of a state visit or official visit at the leader level to try to drive substance, so the most well-known example is when Xi Jinping came to Washington in 2015 and the Chinese agreed to a new understanding on cyber hacking which is that neither side would hack the other cyber networks for commercial gain. The only reason that came to pass is the US leaked, or was known to Washington Post, that if there was not some agreement on cybersecurity, then Xi Jinping's visit to the US could not go well and would be considered quite bad. Then the Chinese said oh we need to fix that and sent their top law enforcement czar to Washington and we laid out our case and we made some progress on it. We can talk more about whether that still holds today or not but that's the kind of mechanism for getting trying to focus on something using these state-level visits is a way to do it.

Third, know your brief. Charlene Barshefsky who was the US Trade Representative when China joined the WTO in December of 2001 she was there at the end of the Clinton administration, to you know kind of lead in a lot of areas, and she just said yes the Chinese officials they're always well prepared, they're always well briefed and so if you don't know what's going on, you're gonna lose. I would just say on a personal note, the current trade negotiations, there's some on the US side who are just not as experienced as their Chinese counterparts and it shows, so the main person on the Chinese side is Liu He who is the Vice Premier who has better English than I do which is very low bar, I grew up in New Jersey. He did go to Seton Hall by the way, but he's the lead person Vice Premier very close to Xi Jinping but the working level person, trade person is this Vice Minister of Commerce named Wang Shouwen, who spent his entire career at the Ministry of Commerce, he knows the WTO backwards and forwards, he knows trade law, he is someone who, he's formidable and the people we've put forth at the beginning of the talks were just not much less knowledgeable, particularly folks from the Department of Treasury who just didn't know these issues so you need to

bring your A game with Chinese officials. The US has this problem globally, we are a global power and we have a lot of global interests and most other countries they are much more narrow in what their interests are and so they prepare like the dickens to meet with the US official, whereas our officials will fly from Jakarta, Beijing, Brussels and then Ottawa and then we'll go back DC on a one week-long trip so they have to try to remember all these different things. And most foreign governments just don't have that level of need to be competent in this range of things so US side really we just have to know what we're talking in dealing with the Chinese.

One of the things I would say it's really nice to be able to pick your counterpart, Stapleton Roy who was our ambassador said yes, if you can find someone on the other side of the table that really wants to be practical and get things done it makes it much easier to do things. In the end the Chinese side will pick who the counterpart is, you know we might like this Vice Premier or this Vice Minister who understands the United States or understands this issue but in the end their leadership is going to decide we want this person to handle it. One example early on when they picked someone early on that was not that interested was we have bilateral investment treaty negotiations going on with China since 2008. Bilateral Investment Treaty or BIT is kind of like a small free trade agreement, an FTA it's just on liberalizing investment and for the first seven or eight years the Chinese lead negotiator was not that interested, it wasn't him personally, the Chinese side was not that interested, and then Wang Qishan who was Vice Premier at the time, decided yup we're gonna move forward on this and they changed the lead negotiator to a person who was in charge of treaty and law at the Ministry of Commerce, extremely good negotiator, very knowledgeable on WTO law and other rules and we made a lot of progress with him as lead negotiator. All of which is to say it's nice to pick your negotiator on the other side, but sometimes you're just kind of stuck with who's there.

Mixing public and private messaging, I think this is something that sometimes we're good at and sometimes we're not, what do you say to the press and what do you say behind closed doors I think diplomats are often blamed for only operating behind closed doors, I think what works most effectively is when things aren't going well, you tell the press or you let it be known that this is not the direction you wanted to go in. But if it's only public messaging, no country likes to be yelled at in the press and that's not a particularly effective form of diplomacy. I think we're all grappling in the Twitter world that we live in what what it means now, what does public messaging mean. There used to be a very calibrated way in which certain officials would speak on background, or we would have an undersecretary of state or treasury secretary of state, and that's all blown up now. I don't know going forward what is the public private messaging going to be for the next administration when this administration steps down but we'll all be kind of figuring it out and I think the Chinese as well as other countries are trying to figure out okay is a tweet policy or not and that's something weird. As officials we do that as well and get to wake up to OK what's on the Twitter feed, how do I know what to react to because that seems to be driving the policy discussion.

Building coalitions inside and out, one of the people I spoke to was Ambassador David Shear who left his government service as Assistant Secretary of Defense for Asia. He was a career foreign service officer, had worked in China at first, was a political officer during the Tiananmen Square crackdown and saw the tanks roll through Tiananmen then started to work on Japan for the next decade and then came back to work on China. And then ended up his career in the State Department as Ambassador to Vietnam and then he ended up at DoD and he spent a lot of time on East Asia and freedom of navigation operations in South China Sea. And what he said was you need to have an inside out strategy, you need to both work with countries in the region and work with the Chinese government directly and within the Chinese government you need to work with

people who support what the US wants to do and then also work with people that you're assigned to talk to it, so don't only work with kind of one thing see what kind of coalition you can build inside the country. And on that there was an article in the New York Times maybe a week or two ago about how some people in China are quietly cheering the current trade friction hoping that that will lead to a liberalization in the Chinese economy because some services in the Chinese economy are incredibly not competitive and Chinese know that they're not getting world class services and so they're hopeful that this trade friction will spur innovation in the Chinese economy. So I think not the trick but the goal of making policy work with China is work with the government, sure but also work with other people within the government that will share your agenda.

I will say on the trade front when I was in Beijing for the last five years our main counterpart was Vice Premier, a guy named Wang Yang who had been party secretary in Guangdong province known as a liberal thinker if you can put that in the context of China and I would say he's one of those impressive Chinese officials that I've ever sat in the room with, he's now the number four, he is head of the National People's Congress so clearly it's helped his career to deal with US on trade. But reflecting back on the five years as I said he's extremely charming, he was self-deprecating, he could interact with American officials that very few Chinese officials can. That said if I look back at the record of what we actually got in terms of trade market access in the last five years, it was almost nothing and so he was one of the people we were saying yes we need to build coalitions with these sorts of people, he gets it, but in the end he was you know not powerful enough or didn't want to use political capital to actually move market opening and kind of change the way that Chinese trading system worked.

The two examples that I'll give on that just stuff to rehash old WTO litigation is one is we brought a suit in the WTO about six years ago against credit card processing so if you look at your credit card it's got a logo, mine's Visa, the number starts with 4 so you know its Visa, and the US has three main credit card processing companies, American Express Visa, MasterCard. And according to Chinese WTO schedule, that was supposed to be opened up to foreign companies by about 2006, and it was not opened up so we sued at the WTO, we sued and we won on appeal, and to this day these companies are still not operating in China. They have a co branded card and I won't get into all the details but its way too complicated, but all of which to say is the US negotiated with the WTO, China didn't implement US sued the WTO, China still didn't implement, I can't tell you how many meetings I had with Zhou Xiaochuan, the head of the central bank, in which he's the head of the central bank that regulates this this sector and he would tell US officials that yeah we are working on it and have these regulations to get forwarded, years and years go by so I think that the idea that people on the inside can help is certainly true but also means that they're not omniscient. Zhou Xiaochuan is an incredible official, speaks in English, he would also host Mike Froman who was the US trade representative at the time to lunch at the Central Bank, dining hall and always have a beer and relax, he's just incredibly knowledgeable about how the Chinese economy works but at one point he said "oh I'm just head of the central bank I could never do that", whatever that was, change state enterprise, what we think of those who deal with China, Zhou Xiaochuan is this incredible, smart savvy insider, central bank governor, I'm part of this system but not a particularly big part of the system. To the point you have to build coalitions inside and out that is not necessarily going to be the answer.

So where does that leave us with trade negotiation today on this kind of this checklist of different things how we've done and haven't done. Just a step back a little bit on the tariffs, so the US put on tariffs on goods worth 250 billion dollars worth of exports to the United States from China under

Section 301 of the Trade Act of 1974 which permits the United States Trade Representative to impose penalties for countries that harm the commercial interests of the United States. That is extremely broad and you could say a lot of things harm the commercial interest of the United States and after a hearing and notice and comment period, the US Trade Representative determined that Chinese practices on forced technology transfer were harming US commercial interests and we had a number of different remedies, one of the them was a case at the WTO and the one that people pay attention to is the tariffs we put on Chinese goods.

Where are we on that, looking at my kind of checklist of things. I just want to mention on the framework where I think of some of the US officials are coming into this, I think a lot of US officials are particularly the ones on the older side of 70 have a view of China today of Japan the 1970s and 80s, that somehow state-led economic growth is unfair and is undermining US competitiveness in the US economy. And so if you look at certainly President Trump, Bob Lighthizer the US trade representative, and Wilbur Ross the Commerce Secretary, these are guys who spent decades concerned about Japanese growth in the 70s and 80s and even some of the 90s and how to stop it so I think some of how they see China today is through that framework of China doesn't play fair, China cheats and it's not necessarily the specifics of this broader frame which they see it. In some ways they see it in a pre-WTO world, that is the WTO was set up in 1995, it came out of a General Agreement on Tariffs and Trade the GATT, GATT was set up after World War Two by the United States and Western Europe, that is very like-minded countries, very similar economies and it subsequently was expanded to include I don't know how many WTO members there are now, 190. But what made the WTO unique and different from the GATT was this enforcement mechanism and a tribunal system where you can sue another country and you could put unilateral tariffs in before 1995 and the other countries' recourse was to put tariffs on themselves. But after 1995 you weren't supposed to do that, you weren't supposed to do that under the GATT either but there was a mechanism to actually arbitrate those disputes, those dispute clauses from the WTO, all of which to say is I think the folks who are currently driving a lot of US trade policy is similar to the way they saw Japan in the 1980s except for the fact that the WTO is now in existence we are supposed to be using that mechanism. I will say on the Chinese response to US tariffs is completely WTO inconsistent, I'm not excusing the US administration of unilateral tariffs, yes its unilateral, yes it breaks WTO rules, but the Chinese response should have been a suit at the WTO and then after China would win the suit at the WTO it would be allowed to put counter tariffs on. China didn't bother with the WTO, they immediately put on a counter tariffs, it's understandable from a public relations and from a geopolitical point of view, but if China is claiming to support the WTO and WTO principles and procedures, the right way to do it was to would have been to litigate and two years later it would've been able to put tariffs on, but China didn't go that route.

So where are we, hmm, prioritize, well I can say clearly this administration has prioritized trade with China, there's no ambiguity that they have put this as one of their top two issues in dealing with China. North Korea is the other one, right now it seems to be on a bit of a pause but but clearly the Chinese government can't be surprised at where we are on trade today given where the administration was when they took office in 2017. One of the things I think makes this administration unique is, most administrations have a range of global things that they want to do, and they get other partners to do those, this administration doesn't have that broad view of things they want to do, sanctions on Iran are important, DPRK was there and trade and that's kind of it. Looking at the Obama administration or the Bush administration, Bush administration had the global war on terror and then the invasion of Iraq, the Obama administration had climate change

and even fighting Ebola and there are other kind of global issues that you needed other countries to work with, this administration doesn't have that view so it makes it a little bit easier for them to prioritize dealing with China, North Korea and trade.

Leadership buy-in, yes, there's leadership buy-in on both sides whether the Chinese want it or not, they know that trade is a serious issue and one they're going to have to deal with.

Know your brief, this gets to my earlier point, I would say, initially, the US side was not particularly strong on the mechanics, but I've had people tell me that they've briefed USTR Lighthizer over the last couple months on their specific industry issue that they're negotiating market access, and he knows the ins and outs and the licenses that need to be garnered, so there's an unevenness in the administration to be sure, I don't say this just because I used to work at USTR, but I really do think Bob Lighthizer is extremely smart, and he's really getting to know the different mechanics of things that the US wants to push. Others in the administration, I would say, I'm less impressed with. I think the big question on knowing your brief is knowing what the US wants. I've talked about forced technology transfer, what we call market access, that is letting US goods and services into China, but the US has also pushed for purchases, just buy a lot of our stuff, and we've also talked about Chinese industrial policy as undermining US competitiveness. And so, I think from the Chinese point of view, there's genuine confusion about what does America want, not that they'll do it necessarily, but without that kind of clarity, it is hard to know what what the US brief should be, and so when I was in Beijing I had to negotiate on all three of those things, the industrial policy side, the purchasing part of it, and the market access in this administration, and for the Chinese, its confusing because on their side it's a different cast of characters, you're talking about market access for agricultural goods, that's these folks at the Ministry of Agriculture, if you're talking about just purchases, well, talk to the NDRC or the planning commission because they'll be buying natural gas or whatever it is. So, I think we've done OK on knowing our brief now with a fitful start at the beginning.

Mixing public and private messaging, let's just say both sides have been sloppy in public and private messaging. On the US side, you have Tweet of President Trump from yesterday, today, whatever it was, and I don't know where that's gonna end up, I would say in general Lighthizer as US Trade Representative has been very consistent about using US administrative rules to impose tariffs in a legal way. Other parts of the administration frankly have not been so consistent about that and it's ended up in the courts. So when you raise tariffs you have to have a notice and comment period that you're doing that, and you have to have a public hearing and they've done for the two tariffs they've put on. I honestly don't know and I haven't looked closely enough at the statute, if we can even raise tariffs in the next four days, even if we wanted to, without facing a lawsuit from some interested stakeholder, you might ask, who is that, well well, any store in the US that has to pay tariffs on imported good would say, hey, you didn't do this according to law. Now that said, without reading the tweets to literally because I don't think we can do that in a helpful way, it's possible that at the end of the week, if there's no agreement on trade, the Administration will start the process for imposing tariffs, and they'll have a hearing and notice and comment period and do all the things they have to do. But I think Lighthizer has been very good about making sure they're doing it the right way. All of which is to say, on public and private messaging, I think on the Chinese side, I've been shocked at how much they've leaked to the press. I know the Ministry of Commerce, about a year-and-a-half ago now, the US came in with these very stringent demands basically for China to dismantle its state enterprise system, and the Chinese were not happy with it, it was completely in your face, it was rude, but in my view at the Embassy, we pushed to have some sort of statement

because back to my seven-year-old discipline example, it's just not right to tell another country, you know what you need to do, and you should fix it. We should at least be able to honestly say, here's what we don't like about your economy, here's why we think it distorts our market and global markets, and here is what we think you should do about it, and whether or not they do it that's their decision. But we should be able to explain where our position is, so I was happy that my colleagues in Washington wrote this paper, gave it to the Chinese, and about 12 hours later MOFCOM leaked it to the press, and how do I know that? Well, I had at least three Western journalists tell me, yes, the Ministry of Commerce gave us your document, and I said, well I can't confirm this is true or not but I'm not surprised, and I think from the Ministry of Commerce point of view, they were trying to show to US industry how outrageous the US administration was being, and that wasn't the response from US industry.

I think one of the huge changes that's happened over the last two years has been, US industry which has been the ballast of US China relations has really turned on working with China. One of the reasons is the credit card case that I mentioned, that even things that China was supposed to do on the WTO, they didn't implement, and other ones like beef market access are, Max Baucus was a Senator from Montana forever, and beef is a big export, and he tried for two and a half years as Ambassador to China to try to open up the Chinese market to beef. And the Chinese prohibition against US beef is based on mad cow BSE from 2002, a single case or two, the organization that regulates that has dismissed the Chinese concern, its part of an international body that regulates how to deal with animal health. But the Chinese have insisted that, even though Irish beef and Canadian beef and beef from almost every other country on earth, that US beef is somehow circumspect. Clearly, it's a political lever and that is the way they see it, but by being so, *xiaoqi*, by being so cheap, and holding out this promise, we will give the beef market good access to the administration that we want to make friends with, they have undermined US faith that Chinese can operate in some sort of transparent way, in a sector that is important to us politically, financially you know beef might get a billion dollars of exports, it's not that much, we have a huge economy, but for a couple of agricultural states beef is really important, and let's be honest, China doesn't have a domestic industry that they're protecting, they're just doing it because they think it'll be a nice bargaining chip, and they really should have done it in the Obama administration, but they held off beef market access for the next administration, they keep saying, we'll give it to this guy, or wait for that guy, that kind of idea, haggling at a bazaar, it works at a tactical level, but at a strategic level, it really eroded the trust of the US business community, to say even on these kinds of basic things like opening up your market that you should have opened up a decade ago, what does that mean for my company's operations in your market. The American Chamber of Commerce in Beijing, Amcham China, does a survey every year, and they surveyed their members, and the most recent one was 76 percent of respondents felt less welcome in China for US companies than they had in the past, it's a loaded question, certainly wouldn't pass political science muster, you know, it's less welcome compared to what, and exactly what framework, but there is this perception of US companies that we're just not welcome in this market anymore.

So, finding the right negotiating partner, back to my list, oh, one other just public and private messaging on the trade front, one of the challenges that US companies have faced in the Chinese market is uneven enforcement of anti-trust rules, particularly when there is an acquisition of a US company, or even another US company or a foreign company that has to get approved by Chinese regulators. So in the US system that is the Department of Justice, and Federal Trade Commission and in the Chinese system, that is the Ministry of Commerce. And Qualcomm was in the middle of acquiring a Dutch semiconductor manufacturer called NXP, and every other regulator around the

world approved it, Chinese hadn't, and they dragged their feet for over a year. Finally, Qualcomm said, hey, if you guys don't approve this we're just not going to go ahead with this purchase, and so, in the end, Chinese didn't approve it, and the purchase didn't go forward. It was a pretty big purchase. About three or four weeks later, the US administration, this administration, said oh we've got the Chinese agree to approve that merger, and Qualcomm the company said we've already given up, we told the financial markets we're not doing this anymore, to my point about messaging publicly, that was kind of sad that the US administration was pushing something that the company itself no longer wanted, and the US administration thought in a very public way to say yes, we helped Qualcomm out, and then Qualcomm had to say, actually, we already pulled out.

So finding the right negotiating partner, I think Liu He on the Chinese side is incredibly smart, he went to Seton Hall and Harvard for graduate education, he's a macroeconomic thinker, he's connected to Xi Jinping. I think his challenge is, he is not a bureaucratic insider, and the Chinese bureaucracy has grown a lot in the last decade, particularly in the financial crisis. China pumped in a couple trillion Renminbi into their economy to deal with the global financial crisis and that made the state kind of stronger player economically and politically, and I think Liu He and in his heart of hearts, I can't prove it, but I think he's a free market person, he realizes the efficiencies of free market, but the current political economy of China doesn't really allow for all that. I think he's an incredible person to deal with, he understands the United States, he understands the Chinese system, he is close to Xi Jinping and, that said, he's not exactly a hatchet man like Zhu Rongji was, someone who is willing to make a lot of enemies in the Chinese system, but I think frankly, if I compared him to Wang Yang, Liu He is in a much better position because he's personally close to Xi Jinping, and he understands the United States, and can conduct these things in English when he needs to.

Building coalitions inside and out, I think Ambassador Lighthizer, US Trade Representative, has kind of tried to work with EU and Japan in a trilateral setting has had three ministerial level meetings in which they have talked about reforming WTO rules to address state-lead economic growth, basically China. And so he's trying to bring that together. The challenge is the US had imposed tariffs on steel and aluminum for national security reasons, and we've now alienated our natural allies, the Japanese and Australians, Canadians and we said, oh we don't trust your steel because we think you might be attacking us. From their point of view, the amounts of money involved are quite small, but it's really hard for them politically to say, well, we want to work with you on China, but you're saying we might be an enemy, and so you want to protect yourself from our steel. Finally, on the kind of building coalitions inside and out, I saw on the ground from when we were negotiating the trans-pacific partnership, the TPP, the Chinese really were afraid of being left out in this kind of large regional trade agreements, the TPP 12 countries initially or, towards the end in Asia, and the US was negotiating with the EU and TATIP and China said, oh my gosh, we're gonna be left out of these huge trading blocs, we need to do something, so Chinese response to that was to really start to negotiate with us and with the European Union a bilateral investment treaty, a serious market opening bilateral investment treaty, so I saw on the ground for the first year and change, the bilateral investment treaty went nowhere, and then because the Chinese saw the TPP was coming to fruition, Japan was in it, the United States was in it, a lot of their trading partners were in it, oh my gosh, they need to do something, well maybe, if we have this investment group with the United States, the EU and at some stage maybe try to join the TPP. That's all changed.

So where are we going to end up with the trade negotiations? And then I'm happy to answer some questions. I think the three elements I mentioned before will be part of the agreement and we'll just have to see what what's in the details, because all trade agreements are great at the strategic level but

the details is where you really decide is this worth doing or not. Purchases, I think there will be purchases, agricultural, energy and some technology purchases, China is trying to drag out that timeline as long as possible, and also putting caveats to say, it has to be based on market terms, they understandably don't want to be saddled with buying oil at three hundred dollars a barrel if the world market price is 25 dollars a barrel, but I think that that will be an element, and we'll just have to see how that is structured. Market access, you're already starting to see some of that, between the financial services, Tesla being able to open up a wholly-owned foreign enterprise in Shanghai, and you'll see a couple of other bits and pieces. Cloud computing is the one area getting the most attention because it had been closed, and the US is a world leader in it with Google, AWS and web services and Microsoft leading the pack, and Aliyun, Alibaba Cloud, as a not so sophisticated player, and so, if they open up that sector, that would be a big change. There are a couple of other sectors like that to be watching. And then industrial policy, and this is the most difficult one to address and will be, I think, some changes to transparency, China is supposed to filing at the WTO when they have subsidies, they really haven't been doing that, so at a minimum they could do more of that. There's also on government procurement and other areas that are state-led economic things, you could try to have state enterprises buy more US software or U.S. equipment and have US products more competitive in those sorts of situations, so I think there will be some effort at industrial policy but that is going to be the toughest nut to crack.

So my own view of the timing of it is, without a leader level meeting, there won't be an agreement on what actually going to happen on the trade front because the Chinese don't trust anyone except for President Trump to say that this is the final deal, and I think the US side says without Xi Jinping buying we don't want have an agreement either, so my own sense is that within the next month or so, there will be a decision on when there will be a leader level meeting and then that will open the way for whatever trade agreement there is. And for those of you who saw the very cringe-worthy last time meeting that Liu He was in the Oval Office and Bob Lighthizer was told that we are not going to be negotiating an MOU with China, a memorandum of understanding, because that's not a good legal instrument. I wouldn't make too much of that, I think what the actual text is, sorry what the form is, and who signs it, is really not that important. This will be a leader level commitment on the Chinese side and, whether or not a vice minister of commerce signs it or someone else signs it or it's an MOU or it's an understanding or agreement, that's pretty immaterial. What's going to matter is, what is in the actual text of the agreement, and then, what are the enforcement provisions for how to follow up if things fall through. Sorry to go on for so long, thank you for your attention.