

A “Fireside Conversation”
with Former National Security Advisors
Stephen Hadley and Susan Rice

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INTRODUCTION

On October 30, 2018, former national security advisors Stephen Hadley and Susan Rice participated in a “fireside conversation” at the Brookings Institution to discuss U.S.-China relations. The event, part of the first major collaboration between the Paul Tsai China Center at Yale Law School and the John L. Thornton Center at Brookings, showcased the current views about the U.S.-China relationship from two of the leading foreign policy figures in the Democratic and Republican parties. Their service in the most senior foreign policy positions in our government spanned the sixteen years between 2001-2017, during the administrations of President George W. Bush and President Barack Obama.

They expressed a substantial degree of agreement on current challenges and priorities. Both believe that the relationship with China has entered a new stage of significantly more competition and that the central challenge is to find effective ways to manage this more intense competition while also developing areas of cooperation. And they each enumerated a range of concrete steps to advance those goals in the time ahead.

The full transcript appears below.

“China is different today, the United States is different today. . . . The trick will be to recognize that a more competitive relationship need not result in confrontation or conflict. But it does need to be embedded in a set of principles and understandings that put some bounds on competition while at the same time allowing us to continue to cooperate with China on a whole host of issues . . . where it is in our interest to cooperate. I still believe that neither China nor the United States can achieve their vision for themselves and their own country if they don’t cooperate.”

— **Stephen Hadley**

“We are going to be in a greater degree of competition with China than we have been in the past. But I think that conflict is neither inevitable nor desirable. The risk I see is that we somehow decide that conflict is necessary and we get ourselves on a path that is dangerous and reckless. . . . We are going to need to compete, and we are going to need to manage that competition so that it doesn’t spiral out of control. We also will need to find areas for cooperation, and to maximize those areas that are in our mutual interests.”

— **Susan Rice**

PARTICIPANTS

Moderator:

PAUL GEWIRTZ
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Panelists:

STEPHEN HADLEY
National Security Advisor to
President George W. Bush

SUSAN RICE
National Security Advisor to
President Barack Obama

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GEWIRTZ: I am Paul Gewirtz and it is a pleasure to say hello to all of you on behalf of Yale Law School's Paul Tsai China Center. This is the first major event in a new collaboration between Yale Law School's Paul Tsai China Center and Brookings's John Thornton China Center. We are really hoping to combine the strengths of a great think tank with a great university.

This mid-day event is a remarkable opportunity to listen to two exceptional people, Stephen Hadley who served as Deputy National Security Advisor and then National Security Advisor in the administration of President George W. Bush and Ambassador Susan Rice who served as U.S. Ambassador to the United Nations and then National Security Advisor in the presidency of President Barack Obama.

They are individuals with outstanding intellects and vast experience, integrity, and devoted service to our country. Together, it is interesting to realize that we have on the stage here people who served at the very highest levels of our government for the entire period of 2001 to 2017 under an eight-year presidency of George W. Bush from the Republican Party and an eight-year presidency of President Barack Obama from the Democratic Party. Having both of our major parties represented here is one of the terrific things I think about their participation today.

We could start anywhere, but I thought we might just start with asking each of you about some of the lessons you learned as National Security Advisor about the relationship between the U.S. and China?

HADLEY: One of the lessons I learned was don't give in to Chinese pressure because you won't get a thank you, you will only get more Chinese pressure. We learned that early on.

Secondly, we also learned you can manage issues with China. We had a lot of issues about Taiwan arm sales, a lot of issues about Taiwan generally and a surge of independence feeling, and we were able to manage those with China.

Three, I did not think, and the Chinese would say over and over again, that China doesn't want to replace the United States as the dominant force in the world because we have seen how much effort and how much money it costs and we are not interested. Now, query whether that is still true.

I think what I would probably say is China very much wants to assert its own role at the top of the top rank of countries. They have more influence. I think they are doing it for their own purposes. I'm not sure it's with the intent of displacing the United States, but it may over time have that effect, depending a lot on what we do, which we can come back to in the conversation.

Is China disruptive of the international order? Do they want to create a parallel international order? When we were in office, my sense was no. They wanted the international order to adapt to the fact that China, India, and other countries had emerged, but I did not have the sense that

they were intent on an alternative international order. And I think the experiment of the Asian Infrastructure Investment Bank (AIIB) kind of proves that. AIIB turned out to be pretty much based on western standards of professionalism and transparency, and it partners with the other existing regional institutions. So I think China's preference would be to be part of an international system in which it has a greater role, but I think without too much trouble we could push China to the point where it might seek a parallel structure.

Last point – you have to somehow integrate the trade and economic agenda into your overall strategy. Sue Schwab, who was the U.S. trade representative, would come into my office every other week. We would review the trade agenda, and I never tried to talk her out of anything. But I did try to explain to her what else was happening internationally and in the relationship with China, so that she could be aware of how timing of other issues could be a factor.

I have a sense now that trade and economic issues proceed in their own cone and are unintegrated with other aspects of the relationship. I think that is a problem for the relationship going forward.

RICE: So I would agree with much of that. And I would add that in my experience, and I think this has been the case going back several administrations until the present, we found that the best way to manage the complexity and the scope of the U.S.-China relationship is to have strong and coherent leadership coming from the White House. And that means obviously an engaged and informed president, but it also means a national security decision-making process that ensures that all the disparate elements that are engaging with China and working on issues related to China are brought under the same policy tent.

In the Obama administration, when we had a summit upcoming or some major need to engage with China across the spectrum of our security and our economic interests, we would bring the economic principals and the security principals together around the same table so that they could understand the issues that each side was dealing with, and the tradeoffs potentially between and among.

Now, having said that, I think until recently the relationship has benefited from having an economic track and a strategic track that are largely separated. That doesn't mean that they're happening in silos, where there is a lack of awareness of what is happening on each of those tracks, but rather where the policy tradeoffs were made primarily within the tracks instead of between them. And that changed in early 2017 when President Trump indicated that for progress on North Korea he could go light on the trade side or vice versa. And I think we are now seeing the consequences of having comingled the security and the economic tracks. Friction on one side is impeding potential progress on the other.

Another thing I would say is that one can usefully use the mechanism of regular summity to advance progress on thorny issues. We certainly found that throughout the Obama administration, particularly from Sunnylands in 2013 onward, when we had annual summits. Those annual meetings forced the agencies and the national security decision-making process

to work through some of the toughest issues, whether it was on cyber security or military risk reduction. On the cooperative side of the agenda—on North Korea or Afghanistan or Iran—we were able to make tangible progress using the forcing mechanism of a summit, and the fact that, above all, the Chinese don't want to be embarrassed by an outcome that is less than perfectly choreographed.

Finally, I would say there's a need for constant communication with the Chinese at all levels, at the cabinet level and the sub-cabinet level, but beyond that as well. Through constant engagement, we were able to surface issues, be transparent to the greatest extent possible, actually implement a policy of "no surprises," which is beneficial in the broader scheme, and prepare the way for breakthroughs between both leaders.

So, Steve, I think many of the lessons you learned were very much the same ones that pertained when I was still there.

GEWIRTZ: So let's now move to the main question. What do each of you think should be the main elements of a realistic U.S. China policy going forward?

HADLEY: Well, I think we need a little context about what has changed. Over the last three or four years, the perception of the policy community on China has changed in almost every dimension. Geo-strategists have decided that China wants primacy in the international system. Defense experts are now worried that China is actually ahead of us in some of the key twenty-first-century military technologies.

The Chinese have made clear in their statements that they are not moving towards a political democracy respecting human rights and rule of law as we define it. The U.S. trade agenda is now in the hands of people who think that Chinese accession to the WTO was a terrible mistake. So if you put all those together, I think America, the American policy community, sees China very differently. And it is partly because it's a different China.

I have had people tell me that the 2008 financial crisis shocked China and shook their confidence that we knew what we were doing. And some people argue that our 2016 election raised questions in their mind about the American political system, because the outcome was seen to them as so unpredictable. And at the same time, Xi Jinping has consolidated power, has a vision for a much more assertive China in the international system, and is using China's additional weight, whether in the South China Sea or through the Belt and Road Initiative, to pressure its neighbors. So, it is a different China.

So I think you start by saying China is different today, the United States is different today. Our perceptions of each other are different today. It is going to be a different relationship going forward. We used to say there has been great continuity in U.S. foreign policy towards China for the last six administrations. I think that is going to be less true now.

And the trick will be to recognize that a more competitive relationship need not result in

confrontation or conflict. But it does need to be embedded in a set of principles and understandings that put some bounds on competition while at the same time allowing us to continue to cooperate with China on a whole host of issues—whether it is financial or environmental or terrorism or proliferation—where it is in our interest to cooperate. I still believe that neither China nor the United States can achieve their vision for themselves and their own country if they don't cooperate.

We need to put ourselves in a position to compete. We have got a lot of work to do in that respect. At the same time, we need to work out a set of understandings with the Chinese so the competition is contained, does not lead to conflict, and does not prevent us from cooperating together. And I would say we need to try to cooperate on renovating and revitalizing the international order in a way that gives China a greater role, precisely so we don't end up with two competing international orders. We can talk about what that would look like, but I don't think it would be pretty.

RICE: So we are going to surprise everybody by agreeing to a very substantial extent. First of all, I too take the view that we are going to be in a greater degree of competition with China than we have been in the past. But I think that conflict is neither inevitable nor desirable. The risk I see is that we somehow decide that conflict is necessary and we get ourselves on a path that is dangerous and reckless. So I agree. We are going to need to compete, and we are going to need to manage that competition so that it doesn't spiral out of control.

We also will need to find areas for cooperation, and to maximize those areas that are in our mutual interests. But fundamentally, we need to recognize that our strength is going to continue to come through our alliances and our partnerships. It would be a mistake to try to deal with China largely in isolation, whether from our Asian allies or our European allies. So, we need to mend fences quickly with our traditional allies, stop picking fights with them, whether on trade or other issues, and unite to deal with the very important issues that we face with China, particularly on the economic side.

I believe strongly that we ought to get back into TPP or its successor and recognize that it is a mechanism designed not only to advance our interests, but also our position vis-à-vis China. We also need to recognize that, as Steve said, much of the potential deficit we face in terms of our relative relationship with China is of our own making. And when you consider how polarized we are domestically; when you consider how poor our infrastructure is relative not just to China, but to so many other places; when you consider the state of our healthcare system and our education system—we have a huge amount of work to do domestically to be competitive with China over the long term. We need to be investing in the latest technologies to an extent that we haven't thus far, and not just on the defense side, but also in civilian applications. That will require us to get back to the place where the private sector and academia are prepared to cooperate with government in that traditional triangle of R&D that we used to our benefit during the Cold War period. The Chinese are firing on all cylinders, drawing on all sectors of their society, and we are not.

Policies like how we approach immigration also are absolutely critical to our ability to be competitive with China over the long run. It is a very serious error to stymie legal immigration and keep the best minds out of the country that want to come here.

So I think we have got to take a holistic approach that builds on our technological advantage and tries to accelerate it. It deals with our domestic deficits and draws on our alliance advantages. We can and must compete effectively, but if we don't take these steps, we are going to fall behind quickly.

GEWIRTZ: Well, I do think it is remarkable that the two of your views overlap to such a significant extent.

Let's try to get a little more concrete about what this competition is and how or whether it really can be managed. Let's start with power projection in the Asia-Pacific. It's clear that China is seeking to project strong power in the Asia-Pacific, and its military is growing, including in new realms like outer space. It is also clear that we fully intend to continue to project power in the Asia-Pacific, not only because of our alliances but also because of a whole range of other interests. So how can those seemingly conflicting interests be managed and dealt with so that we are in a realm that does not lead to conflict?

HADLEY: Well, I have had a theory about this for a couple years and I'm a little less confident of it now than I was two or three years ago. Managing this challenge is going to require everybody, all hands on deck. On the military side, we have to maintain our own capability and presence in the region. But it can't just be us. Freedom of navigation operations ought to be done by the Japanese and the Australians and the Indians and everybody else to make clear that there is not going to be a militarily hegemonic sphere of influence by China in the Asia-Pacific.

Mike Green previously has said that when countries emerge on the global scene, they often try to strike a deal with the international community of cooperating with everyone else on global issues as long as they get to have hegemony in their own region. And that is a deal we cannot afford to accept.

And so militarily, we have to be present with our allies, pushing back on a sustained, consistent basis. We need to use procedures for de-confliction so that a couple of sea captains don't get into it and suddenly the U.S. and China have a conflict or a confrontation that neither of us wants but neither of us can avoid.

But I also think our economic relationships provide huge leverage. China's leaders' political legitimacy depends upon their ability to produce growth and new jobs. And that requires strong economic relationships with neighbors, with the United States, and with Europe. We need to sharpen the dilemma for Xi Jinping between being strong about China's sovereignty claims and protecting China's international economic relationships. We need to force him to navigate that channel between the two.

Although there is not a silver bullet, there is a framework in which this challenge can be managed. But it requires attention, it requires alliances, and it requires using international institutions. You know, Vice President Pence's recent China speech was very interesting and he talked about how the Chinese have a whole-of-society strategy. We also need to have a whole-of-government, whole-of-society strategy to meet this challenge.

RICE: I agree. I would just foot stomp what you said by adding that, our military presence in the Pacific needs to remain increased, as we have done through the rebalance, with the substantial repositioning of our naval and some of our air assets, as well as land forces in Australia. We should maintain a continued presence in Japan and South Korea, where we should be continuing our exercises. We need to ensure that the rebalance remains, and I would even argue that there are aspects of it over the longer term we can afford to increase.

The allies also need to remain steadfast. From time to time, the resolve of the South Koreans vis-à-vis China is questioned. I think Duterte presents challenges for us in the Philippines.

So I think that there is very clear scope for us to remain steadfast, whether it is freedom of navigation, our work with allies, whether it is strong, steady policy on Taiwan. We have been there long before China had the kind of presence that it seeks to assert. We need to stay and we need to make it very plain that this is not a zero-sum proposition from our point of view, or if it is, it's not going to go down to anybody's benefit.

Additionally, our ability to play in that region is not just based on the military. It is obviously also substantially economic. It was a strategic blunder to get out of TPP. We need to find our way back to something that would enable us to be on the inside of the tent and have China knocking on that door, rather than the alternative.

GEWIRTZ: There seems to be pretty broad consensus here that market access restrictions, theft of intellectual property, those sorts of things are simply unacceptable and must change. But can our two economies coexist, given that ours is essentially a market-based system and theirs is increasingly a state capitalist or mercantilist system? How do we compete effectively? Can we compete effectively in the economic sphere with those systemic structural differences?

RICE: We can and we must compete and coexist. The extreme version of the decoupling theory is that we end up with a bifurcated global economy with each of us having half. Half of what we have now is not a good outcome for us or China.

And so I think we are probably past the time when it is realistic to disentangle our supply chains, go into our corners and pretend that we are the master of this part of the global economy and they can have the other part. That's just not viable in the twenty-first century. We have to find ways through. From the U.S. point of view, focus needs to be on things like market access, forced technology transfer, theft of intellectual property. I think we are way overinvested in the notion of trade deficits, which is leading us to some very unwise choices

with respect to tariffs.

We are approaching this nearly on a unilateral basis, without the benefit of our allies' working with us. So I think we need to hold the Chinese feet to the fire on things like market access and forced technology transfer and put pressure on their companies in the United States until our companies are receiving the kinds of openness and access that they need.

We also need to be careful, and I think we are appropriately increasing our scrutiny of Chinese investment through the CFIUS process, to make sure that we are not allowing camel's noses under the tent. We need to be similarly vigilant about export controls. But we should not cease trade, we should not create economic spheres of influence, and we should not be afraid of our ability to compete.

And that gets back to where our future lies. We are not prepared for the kind of competition that not just China's economic rise would necessitate, but just our continued global competitiveness would necessitate, even in the absence of a China that is at our heels. We are not investing in R&D. We are not bringing together the hubs of our innovation from government to the private sector to academia in any kind of useful way.

HADLEY: I worry that when our people in government are developing strategy, they are developing strategy too much in reaction to what the Chinese are doing. We need to step back and ask what we need to do ourselves for our own prosperity and security over the long term.

We have got fractured and increasingly dysfunctional politics. Our economy is coming back, but it is not the sustained, inclusive growth it needs to be. We are not making the kinds of investments in physical, technological, and social infrastructure that we need. And we are not addressing problems that have been around for decades, like immigration or the deficit. We are just not performing.

Let's start with a strategy to fix ourselves. If we do that, we will be in a position to deal with the Chinese, the Russians, you name it.

On the Chinese, there are things we need to do. There is no reason why China should continue to be stealing our technologies through cyber. There is no reason why we should be allowing them to compel technology transfer as a condition of doing business in China. We need to address those things.

Second, I'm no economist and no trade lawyer, but there is an imbalance. The WTO is a system premised on market economies, transparent economies, rules-based economies. That is not China today, and it is not where China is heading. This closure of sectors of the Chinese market to outside participation while they are free to cherry-pick industries in our open economies gives China an enormous advantage. This is not sustainable economically or politically.

And whether it was President Trump or President Hillary Clinton, it was going to have to be

addressed and would have been addressed. And it has got to be addressed now. I was with a panel of Europeans, very prominent Europeans, and one of them said actually this moment presents a huge opportunity to address systemic imbalances. It is not just the United States that has an interest in seeing these imbalances addressed. Our allies do as well, and we should be bringing them into that effort.

RICE: Can I make an unrelated point on Russia? There is an intersection of the Russia and China challenges that this discussion needs to take account of. The *National Security Strategy* and the *National Defense Strategy*, in their almost indistinguishable equation of Russia and China, have made a fundamental analytical and strategic error.

The analytical error is to put them exactly in the same boat and declare them both implacable adversaries. Now, I think we have in Putin's Russia a country that has truly decided that for the time being it is our implacable adversary. And I think we have in China a country that is a significant competitor, a growing competitor, a country with which we can also sometimes cooperate, and not a committed adversary or enemy at this point. Unless we make it one.

And I think the strategic error is that by lumping them together and frankly also by downplaying the nefarious activities of Russia—and suggesting, as Vice President Pence did in his speech, that China is interfering in our elections to a far greater extent than Russia—we are not only taking our eye off the Russia ball and giving them a free pass, but we also are tempting China to do things that it may not have been planning to do. Worse still, we are potentially encouraging Russia and China to strengthen their cooperation to an extent that is greater than it has been thus far.

Having been a UN ambassador, I can tell you what a pain it is when Russia and China are in lockstep in New York, which 95 percent of the time they are. But imagine if that degree of collaboration was manifested in every other aspect of the relationship between Russia and China vis-à-vis the United States. It would be a very different world, and a much more complicated and negative environment for the United States. And I think we are inadvertently—or maybe not inadvertently—encouraging that kind of almost “alliance,” to use a strange word in this context, between Russia and China as it relates to the United States. That is about the dumbest thing we could possibly do.

HADLEY: We have never faced a potential competitor like we have with China.

The Soviet Union was a military power and an economic dysfunction that ultimately fell apart. China is a heavyweight player. Someone was telling me the other day they visited a Tesla-like factory in China that was also developing electric vehicles from the ground up. And they said, we have Tesla and China has 30 of these companies working on this. So there is a scale issue. We have never faced a competitor like this. We have got to get our house in order, because this is going to be a sporty game.

The area I'm most worried about is in the technologies that people believe are going to drive

the twenty-first century, not just militarily but commercially. Artificial intelligence, machine learning, nanotechnology, biotechnology, autonomy, we all know them. Xi Jinping gets it. He gave a speech that basically said if you rely on other countries for information and communication technologies, you are building your future on sand. The Chinese are making huge investments in this area. So the question is, what to do?

And the first thing to do is what Susan talked about, to reenergize cooperation between academia and business and government on technology development. But there is already a sense that in order to compete, we need to disentangle, whereby we have ours and China has theirs. And in a lot of these technology areas, if you hang out around Silicon Valley, there is huge entanglement with China. U.S. venture capital is deeply invested in Chinese companies. There are Americans working in Chinese companies. There are Chinese working in American companies. This entanglement is producing a scale that causes people to be willing to invest, and it is accelerating the development of these technologies.

There is a view now that you need to disentangle supply chains. I'm no economist, but my guess is that doing so would increase cost and reduce the efficiency of each of us developing these technologies, which is a problem.

My worry is that if we really go down that road there will be a Chinese internet and an American internet, a Chinese-led financial system and an American-led financial system, Chinese technology conglomerates and American ones. There will be the Belt and Road Initiative and an American initiative. And we say to the world: choose. Are you with China or are you with the United States? I'm not sure how that comes out for us. Because the one thing that we all know is that countries, particularly in Asia, do not want to have to choose.

And what troubled me was when the British and the Germans and the French decided that they were going to create a financial structure in Europe that would allow them to continue to do business with Iran, notwithstanding that we pulled out of the Iran nuclear deal and have imposed sanctions. And who were the first two to sign up to that idea? China and Russia. I don't want to push China and Russia and others into parallel structures and tell the world to choose. Because I'm not sure that's going to come out the way we like it.

RICE: Absolutely. Each of us would end up getting half a loaf. So who is competing with China for their half of the loaf? Who is competing with us for our half of the loaf? The world's most developed countries, our traditional allies in Europe and Japan. That is not an outcome that serves our benefit. So we have got to find a way to avoid this economic bifurcation that will make us all less prosperous and less secure.

GEWIRTZ: We have got just a few minutes for some questions from the floor. Let's take three questions.

QUESTIONER: If we accept the proposition that the long-range aim of U.S. policy in Asia has been to prevent the emergence of a hostile, exclusive hegemonic power, and that that should

continue to be the core principle around which we organize Asia policy, then I see a bit of a dilemma. It is essentially China's stated aim under Xi Jinping to become a hegemonic power within Asia by the middle of the century.

And that raises a particular dilemma. Global economic arrangements are built on the assumption of all of the participants being liberal in the economic sense. China is now the world's second-biggest economy, the world's biggest trading country, a big participant in global institutions, and there is a fundamental values gap.

Is it accurate to define the U.S. core interests in that way and, if so, is there a fundamental incompatibility or conflict between our interests and Chinese interests?

GEWIRTZ: Next question.

QUESTIONER: Thanks. We have spent the better part of the last year documenting an acceleration of human rights violations in Xinjiang of a scope and scale that was unimaginable even to us a few years ago. And I think we can probably reasonably agree that if just about any other government in the world was arbitrarily detaining, torturing, and surveilling up to a million Muslims, we would see at least a push for a discussion at the Security Council of the establishment of a fact-finding mission. We can't even get a joint statement from the Human Rights Council in Geneva.

Do you have advice for what the Trump administration should be doing right now to try to bring an end to these appalling violations, and what other governments should be doing? Thanks.

QUESTIONER: How do you distinguish between Chinese pressure that must be resisted lest it trigger some sort of cascade of appeasement versus legitimate requests the Chinese side makes that should be reasonably entertained and potentially accommodated?

RICE: China has been and remains a huge net beneficiary of the post-war international system. To a large extent, it has had the benefits of being a veto-wielding member of the Security Council and a key player in every major institution. Until recently, China has shouldered a very small share of the burden that goes with that. So they have been a beneficiary and until recently substantially a free rider. Now it is changing. China is contributing, for example, more peacekeepers than any other permanent member of the Security Council. It is playing a real role in global health and development, even if you don't like the way they are doing it.

So I am not entirely sure that a revised international order that benefits China would look substantially different from what we have now. I get why India and Japan and a bunch of other countries may not feel that they're getting their due. There may well be tweaks on the margins, but I don't see fundamental revisions that would benefit China and that we could contemplate. And even if we could contemplate them, I'm not sure what they would look like.

On Xinjiang, I think this is a case where you are not going to get the kinds of attention out of the

Security Council that you might like. I still think it would be wise and appropriate for the United States to push it on to the agenda. The Chinese will resist it. Others will likely resist, but I think trying to push that forward in New York would shed light and be beneficial.

I think it is also conceivable to try to get a human rights rapporteur or some other institution that doesn't require the consensus of the Human Rights Council, maybe somebody appointed by the secretary general, although I know that would be risky on his part, to take a look at this and to amplify the work that you all have done and that The New York Times has done, and various others.

Finally, apart from Xinjiang, human rights has not been mentioned in our discussion. My own view is that our continued advocacy on behalf of human rights, not just for individual dissidents but across the spectrum, cannot be allowed to be lost in the larger discussion about our interests and our strategic orientation with China. So I think we should be vocal, we should be shining the spotlight. And while I'm not suggesting any equivalence, some of the things that we are doing that are garnering negative international attention, for example at the border, need to be addressed so that we come to this argument from an unvarnished position of strength.

HADLEY: On the question of when to hold firm and when to be responsive to Chinese requests for change to the international system, I think you have got to stand for principle. At the same time, when there are legitimate complaints that China has about the international system or about U.S. policy, I think we need to be quicker to address them. For years, we failed to give China appropriate weight in the IMF and the World Bank. So there are some adjustments I think that need to be made in the international system.

It is ironic that Xi Jinping is now presenting himself as the champion of the international system. And what is particularly troubling about that is that his version of the international system deletes the commitment to freedom and democracy and human rights and rule of law. And the trick in revising and adapting the international system to changes in the international setting and also in our domestic politics is to do it in a way that brings China and other countries in, but still retains the commitment that the existing system has to freedom, democracy, human rights, and rule of law.

And the only way to do it is for us to be clear in advocating it. We have to advocate for it, but we also have to reframe it. There are press reports of Secretary Mattis talking about the Khashoggi incident, action by the Saudi regime, which are very interesting. He says it is not only a human rights issue, it is a national security issue. Governments that allow their people to demonstrate and petition are stable governments, and those that do not help to make the arguments of the terrorists against their own government.

One of the things we have got to do is to say it is not just a human rights issue. It is actually a much more profound issue. It has got national security aspects, it has aspects of countering terrorism. I think in some sense we have got to broaden the argument as to why human rights matter and our country needs to advocate it. And this notion that what happens within

countries' borders is their own business is fundamentally wrong. We have learned that what happens inside societies affects the neighborhood and ultimately affects us.

Finally, on the China hegemony question. It may be their policy, but I don't think they can call it that because I don't think their neighbors are willing to accept it, and that's the whole point. They may want it, but they can't claim it and they can't declare it, so instead they announce the Belt and Road Initiative. In my view, we ought to engage that initiative. We ought to be participating. We ought to insist on transparency, on professional standards, on the projects benefiting the local population, all of those things. But we ought to be in precisely so as to not give them an exclusive means to use it for their own geopolitical advantage.

GEWIRTZ: This was a fantastic discussion. You are both national treasures and it was a joy to listen to you today. Thank you.

HADLEY: Nice to be with you.

RICE: Good to be with you too.