

# Teneo Insights Webinar: U.S. Foreign Policy and International Relations

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**Alexandra Lager (AL):** Good day and thank you for joining today's Teneo Insights webinar. A recording and podcast of this call will be available on Teneo's website. And now, I would like to hand it over to our host, Kevin Kajiwara.

**Kevin Kajiwara (KK):** Well, thank you very much, Alex, and good day, everyone. Thank you for joining today's edition of Teneo Insights. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory in New York City. A hundred years ago, in 1921, the Council on Foreign Relations was founded. It was born out of a group of 150 scholars who were convened to brief President Woodrow Wilson on options for a post-war world after the defeat of Germany in World War I. It is an independent, non-partisan membership organization, think tank, publisher, and educational institution dedicated to informing the public about the foreign policy choices that are facing the United States and the world.

**Dr. Richard Haass**

President of the Council on  
Foreign Relations

**Kevin Kajiwara**

Co-President,  
Political Risk Advisory  
[kevin.kajiwara@teneo.com](mailto:kevin.kajiwara@teneo.com)

And it's arguably the preeminent such organization in the world as the CFR convenes senior government officials, global business leaders, and prominent members of the intelligence and foreign policy community to discuss, engage, and advise on international issues.

It's probably best known to many of you via its flagship publication *Foreign Affairs*, which has presented some of the seminal international affairs pieces of the last century from George Tenet's famous X article on the Soviet Union to Samuel Huntington's *Clash of Civilizations*. As a proud member of the Council myself, it's a great privilege and pleasure to welcome my guest today. Richard Haass is the President of the Council on Foreign Relations and has been since 2003. He was a Special Assistant to President George H.W. Bush and on his National Security Council staff. Richard was the Director of Policy Planning at the State Department, working alongside Secretary Colin Powell in the administration of George W. Bush and he held ambassador rank coordinating policy on Afghanistan and as U.S. envoy to the Northern Ireland peace process.

He's on the board of Lazard and he is the author and editor of 14 books. His latest is *The World: A Brief Introduction*, which is a fantastic book. For those of us who live and breathe this stuff every day, it's a great reference piece. But for those of you who don't, I think it's a phenomenal primer. It's an interesting reminder as well of how some of America's greatest strengths, such as being protected by two oceans and two friendly and non-threatening neighbors has the downside, I think, of sometimes putting our electorate, as well as our leaders, into a state of complacency and even isolationism that never really lasts.

So, Richard, welcome. Our audience today is no doubt expecting to hear about foreign policy and the international picture and we're certainly going to get to that, but I want to start a little bit closer to home. You've been outspoken about the need for the U.S. to get its house in order. I know you're not alone in that, but tell us how the state of our democracy right now, in light of all that we've seen, impacts our position in the world in your view and our ability to influence outcomes in our interest?

**Dr. Richard Haass (RH):** Well, thank you, Kevin, for that generous introduction. Great to be with you and your colleagues at Teneo here today. The short answer is you're right. If you think of national security as a coin with two sides, yes, one is foreign policy and diplomacy, but the other is things domestic. That deals with everything from resources to the degree of social functionality and political functionality. So, let me deal with it on two levels. One is when it comes to our ability to advocate for democracy, which is one of the goals this administration has set for itself. It's rather difficult to talk the talk if you don't walk the walk, and American democracy is, properly and understandably, seen as damaged around the world. January 6th was the zenith or the nadir, if you prefer, but it didn't ever occur in a context. We've seen the degradation of the functioning of our democracy for some time.

Even now, what we increasingly see is that in order to get things done, you have to come up with vehicles that essentially go around rather than through a traditional political process. We can talk about it more, but that brings with it certain risks, short-term as well as long-term. Because more than anything else, it opens up the possibility of it for when you have political rotation, there were rather dramatic changes in American policy, and that's not good for the country or for those who depend on it. The other thing is if one looks at the functioning of this society, this economy, the good news,

I think in the last few months since we've made enormous strides on COVID, indeed that might be the most important national security and domestic accomplishment of the new administration.

The economy is beginning to kick into gear and the fact that we're increasingly having a conversation about an economy that's too hot, tells you something. That's a high-class problem given where we've been in the last year. It's a problem, nonetheless, but it's a high-class problem. But what's not happened is the political, again, process hasn't caught up. We still have the residue, I'll use a polite word, from the November 2020 election, the aftermath and we still have every day all sorts of examples of the resistance of the political process to working across party lines in any way.

My question is, what will be our ability to act consistently, to act in a coordinated way in the world if we don't have our act together here at home? How are we going to be competitive? Take an example, the President has just unveiled an enormous infrastructure initiative as everybody knows. Important parts of it deal not just with bridges, planes, tunnels and the rest, but also a federal funding of R&D. So, the question is, will that happen? In recent years, our basic research funding has fallen to something like half its post-World War II average. Are we prepared to do something? Immigration, a big part of our economic success over the decades has been our ability to attract and retain some of the most talented people around the world.

Are we going to be able to do that at a scale that will make us competitive? Where are we going to go with use of the Defense Production Act and how are we going to go ahead with that? At the same time, we don't kick off a protectionist cycle around the world. There's a lot of questions, and increasingly, if you want to think about foreign policy, you've got to look at things domestic and vice versa.

I think what COVID does, what 9/11 did, what climate change does, and all these issues say is what happens out there will eventually come here and affect us here and vice versa. What happens here will affect our ability to operate in the world. We're on a loop where increasingly words like "domestic" and "foreign" or "local" or "global," increasingly these words are irrelevant to a world where very little stays local for long.

**KK: Do you think that, I mean, on the one hand we saw during the pandemic, American corporations clearly proved that they were, in many cases, extremely resilient and had the ability to pivot very quickly. But many of the questions that you've just raised are about, are we going to be able to do this? Is this going to work? And so, I guess my question is, when you look at what happened over the last several years and culminating in January 6th, or what have you, did we get lucky or did the institutional strength of the organizations of government actually hold very well?**

**In other words, a lot of what you're talking about is going to be dependent on these institutions playing the role that they are meant to play and in concert with each other. A lot of what we've talked about over the last couple of years, something that's near and dear to your heart, obviously the State Department. The State Department got gutted over the last four years. Other institutions and departments have as well. What do you think about the institutional strength, and I guess in context then, how bad in historical terms is this state of democracy right now that we're in?**

**RH:** Well, the way I would put it is we got extraordinarily unlucky in what happened and then we got extraordinarily lucky in that we survived it. I think it was a close-run thing and had a couple of unknown mid-level state officials in a handful of critical states not had their John F. Kennedy moment and stepped

up and done politically unpopular things against great pressure. I'm not sure where we would be right now. I think this was a massive threat to American democracy. I say that in a non-partisan way, I was, for 40 years I was a Republican. I announced recently I was no longer one for various reasons, but I've worked for Democrats and Republicans, but I do think it was a close-run thing. What we experienced, and it's a different and longer conversation of how things ever got this way. What's happened to American democracy, close to two and a half centuries into our current existence where this could happen.

I think we all thought we were more resilient. So again, you could take comfort from the fact that we survived it. I tend not to because for two reasons. One is, it became too close and I don't feel we're out of the woods. There's nothing that happened that couldn't happen again and we still see everyday signs that the political system isn't working. Let me give you an example. When I used to work more on Latin America, I remember one ambassador telling me, "You can never feel comfortable about a Latin American country going democratic, in the small "d" sense, until you had in a generation where the military stayed in the barracks. You needed a couple of rotations of political power on the civilian side." Indeed, let's see what happens in Brazil right now. We saw the entire defense leadership step down. We'll see what happens.

But my point with American politics now, I think until we have several rotations of political power, and I think on the Republican side we need to see what post-Trump Republicans look like in terms of their relationship to American democracy, their relationships to domestic policy, their relationship to foreign policy. We need to see what post-Biden Democrats look like and what's the balance in that party. So, I actually think we're in an interesting state of American politics where none of us can sit here with great confidence and say in four,

or eight, or 12 years, what the state of play will be in either party or who's ever sitting in the Congress and The White House.

So, I don't feel, it's a long-winded way of saying, I wouldn't breathe too deep a sigh of relief. Yeah, we've dodged a bullet, but what none of us knows is whether there might not be more bullets coming and I actually think we need to prepare for it. My own reading of history is this was not a one-off, that there's still millions of people who are disaffected with the results of the election. Not simply the outcome, but don't accept the legitimacy of it and some of the underlying causes that led to this system, I mean, the social media causes, the narrow casting on cable and talk radio, the fact that we don't teach civics in any serious or systematic way in our schools. So, a lot of the underlying causes are still there and the question is, will the divisions that have brought us to this point, will they allow us to make desirable reforms or not? I think, to be generous, the jury is out on that.

**KK: Let's pivot a little bit because you just, you referenced the announcement by the President yesterday of this massive infrastructure plan, which is Part One of his going forward plan. You also referenced the vaccines and the recovery from the pandemic. In this plan, you can read in there elements of industrial policy, and again, this return of R&D that's funded by the government. Frankly, over the last year, even during the Trump administration, we've seen some phenomenal examples of public/private partnership that we haven't seen in a long time. One was the spectacular SpaceX, but obviously Operation Warp Speed itself.**

**One could argue that actually in terms of what it has unleashed, mRNA technology could have the single biggest impact on one-year's GDP of any technology in history, just in terms of its unleashing of the**



**economy again. Or just the simple brokering of the deal between J&J and Merck to produce more of the J&J vaccine. Do you think we'll see more of this public-private partnership? Industrial policy has been such a bad word in American policymaking for so long. Where do we stand on that and is it necessary given that public-private partnership is what the Chinese competitive threat is essentially all about in many ways?**

**RH:** Short answer is yes and I think we're going to see two things that we hadn't seen a lot of before. One you didn't refer to, but I think we're going to see a much larger government role in this society. I mean, a couple of years ago, talk of universal basic income was kind of on the edge. Well, now we don't use the phrase that much, but we're moving in that direction. We're seeing entitlements remain relatively untouchable and we're expanding them, whether it's various relief packages, we now look at some of the elements of what's in the current infrastructure bill. We see what might be in a follow-on bill. We are talking about a much larger role in the society, a much more developed floor, whether it's for healthcare or income or other services.

And I'm actually struck by how little conversation there is about this. But I actually think this is a big, big deal. I think we're seeing something of a paradigm change in the relationship between the American government and the 330 odd million American people. And it cuts across party lines, by the way, the era where Republicans automatically pushed back against larger government roles in this society is over. Of course, you don't see Republicans pushing back against entitlements or certain other things, so that's one thing.

And then second of all, it's what you were getting at Kevin, which is you're also seeing a larger government role in the economy. Whether it's with what you call the industrial policy or defense production, larger role in

research. Now some of these things, I'd say, it's necessary and healthy. Companies can't be expected to do basic research on a large scale. They'll do applied work and all that, but basic work should be funded by government. And often, like we saw with the vaccines, when you have a massive expense of risky enterprise, that is incredibly important and there's time pressure. If there was ever a moment for public-private partnership, that was it, and phenomenally successful. I think really remarkable what was accomplished there.

And I think the question going forward is to figure out what's the potential for public-private partnerships, and you're going to need them in other areas. You might need it in things like cyber because everybody's dependent on cyber, but certain tools in the toolbox can only come from government. In something like vaccines, we may need it now. For the next phase, when we think about vaccine availability for the rest of the world, what's the nature on public-private partnerships there to cover the world. We've seen it to some extent with space exploration, where a lot of the launch vehicles increasingly come from the private sector. You're going to need public-private partnerships, much deeper than we have in the world of IT, with the Googles, the Apples, the Facebooks, the rest about both domestically and internationally. So, I think we're in that era.

I think the difference is that we're still going to be private sector dependent for the creativity, even under Operation Warp Speed, the great intellectual breakthroughs came from the companies, from the Modernas, the Pfizers, the J&J's, what have you. What the government was willing to do was provide resources upfront to protect them against some of the normal risks that would be associated with development and to accelerate the process. But the creativity still came from the private sector. I think with China you've got massive degree of funding and it's different, if you will.

But I do think, look, all economies are mixed. There's no such thing as a purely private sector economy or a purely public sector economy. Every economy in the world is mixed. Now, the devil's in the details, the devil's in the degree. So, I still think our model will be much less decentralized than China's, much less top down. But I do think we need to have something of a debate about what degree of government involvement is potentially desirable or necessary. And at what point does government involvement become potentially risky or counterproductive. So, it's not an all or nothing conversation, I think we've got to be a little bit more subtle in that.

**KK: Right. The great thing about Warp Speed was that the government essentially created a playing field with a set of objectives, rather than actually trying to pick the winners and losers themselves, which can always run into trouble. There's been a lot that's been talked about both with our clients and obviously at the Council, as recently as yesterday, about supply chains. And obviously with the pandemic, rise of China, even the Suez Canal situation last week, it's front and center. I know that yesterday's unveiling of the infrastructure plan, the second single largest line item on there was \$174 billion for electric vehicle incentives. And so, this brings up, I think it's a good segue to China, because you cannot build an electric vehicle without China.**

**And so that issue of the U.S. relations with China being the single most important bilateral relationship of the 21st Century is really front and center here. We saw it on stark display in Alaska in the first meeting between the Secretary of State and the National Security Advisor with their counterparts and all of the fireworks that ensued from there. Maybe give us the state of play right now between U.S. and China and how you see that developing here**

**early in the Biden administration, where the U.S. trade representative just said, "I'm not taking the tariffs off. I'm not going to tie my hands behind my back and lose the leverage." So, after all the criticism of the Trump policy, Trump really opened the door to a new way of looking at China in many ways that the new administration is benefiting from and taking advantage of.**

**RH:** Look, for a long time U.S. policy towards China was bipartisan, was largely involved with what you would call integrating China into the global economy. And the hope was that by doing it we would give it a stake in stability. This was consistent with Deng Xiaoping's idea that China needed external stability in order to develop economically and politically at home. And there was the associated hope that by bringing China into the gates, if you will, it would evolve in certain ways. And it would play the international game by the norms and rules and would be more law abiding economically, perhaps more open politically, restrained militarily. Well under Xi Jinping, all those assumptions have gone out the window, and we're seeing a China that's much more repressive at home.

We're seeing essentially uninteresting or uninfluenced by international criticism. We're seeing a China that is not meaningfully improved its behavior in terms of respecting intellectual property or anything else. It's certainly not phasing out the role of the state or massive subsidies in select areas of the economy. The state-owned enterprises are not fading away. We're seeing a China that's building up militarily and we're seeing a China that's acting with much more muscle, both rhetorically and physically. So, this is a different China. This is not a China that's hiding its hand and biding its time. This is a China that feels its moment, to some extent, has arrived as a consequence of its own evolution, but also its reading of us. And it sees us as weaker, distracted, divided, less committed

to a large role in the world, and again, much more divided.

It's almost as if the Chinese have accelerated their timetable. And that's what I think we're seeing. So, the Trump administration saw some of this, and correctly in my view, took a selectively tougher stance towards China. It wasn't comprehensive. It wasn't often coherent. It was all over the place, but directionally, I think it was right and directionally it's shared by Democrats. This is an area of considerable bipartisanship. So, it goes way beyond whether this administration is going to keep some of the tariffs in place. I think they're worried that if they yanked the tariffs, in the absence of some Chinese action, that would "justify" it, they'll make themselves politically vulnerable. So, I don't think that would have put them on in the first place, but since they inherited them, they're not quite sure what to do with them.

But you saw the meeting in Alaska. It was not out of the textbook of diplomacy. Each side, I think was playing a bit to its domestic audience, to its domestic base. Look, it's a tough situation. How does the United States and China do a couple of things: How does the United States confront China where we believe we must over their behaviors? How do we do so in a way that would hopefully not trigger an outright conflict? How do we do so in a way that would not preclude cooperation, say on a North Korea or Afghanistan, where it makes sense? Also, how do we do so in a way that does not make it impossible to do those large areas of, say, economic interaction, trading investment that still makes sense? There's a much smaller percentage of the trade and investment that get into areas of technology that have real competitive or intelligence or military implications, but most trade does not.

Agricultural trade does not, most manufacturing trade does not. So, the question is, how do you preserve the bulk of it while taking out a scalpel rather than a sledgehammer

and limiting those areas that are potentially problematic? This is all tough stuff, because what we're talking about is anything but a one-dimensional relationship. We're talking about a multidimensional relationship in the realm of technology and trade. We're talking about a multidimensional relationship in the area of diplomacy. It'll put a real premium on statecraft on both sides. It wasn't clear to me either side was quite up to the challenge in Alaska, so there has to be a bit of a reset after that, I would say. This is the major foreign policy interest of this administration. They are staffing up very heavily.

That old saying, "Mamas don't let your babies grow up to be Cowboys. You should've let them grow up to be China experts." They're in a serious demand throughout the Biden administration. We'll just have to see how this plays out. I think there'll be a real challenge to get a largely functioning, but still discriminating economic technology relationship. And I think there's a lot of pressure on how we're going to deal with Taiwan. If there's a geopolitical challenge to the relationship it's there, and how can the United States and China avoid coming to blows over Taiwan? I would simply say that was on the back burner for people like me a couple of years ago. It's now moved up to the front burner. This is now become a very real consideration for U.S. planners.

**KK: I want to unpack a few of the things that you just talked about there, but can you start by stepping back just a second. What do you think China wants to be? And do you think the United States government's view on what China wants to be is in fact equal to that view that China has?**

**RH:** The great question, and let me just sort of say, it is the subject of an intense debate, so I can give you a Richard Haass' answer, but I just want to say that there's not a consensus. There's those who say the principle thing for China is still its economic and political

development and cohesion, including by the way, what they've done with Hong Kong and what explains what they're doing Xinjiang and explains to their desire to bring Taiwan in.

One, there's one school that says that's the priority to deal with what you might call the unification or reunification, whatever language you want to use, of all of China, to maintain party primacy and so forth. That's one school of thought. And then there's those who take various views that China has larger goals in the region. To get the U.S. out, to basically have a sphere of influence in the Asia Pacific or Indo-Pacific. And there's those who think China wants to be a world competitor of the United States. And I say that none of these is mutually exclusive. It's a question of how you weight them and so forth.

My own view leans more towards the former that that is their priority. That Xi Jinping's priority is on Hong Kong, Xinjiang and above all Taiwan. That's his goal, but it's not an exclusive priority. He obviously through Belt and Road and other initiatives wants to expand China's weight in the region and the world. And as I said before, feels that China's time has arrived as a consequence of its own development and as a result of American doubt and weakness. The problem from my point of view is I don't believe the United States can or should sit back and let China, among other things, create an outcome with Taiwan that it wants, that would be inconsistent with the Taiwan Relations Act, as well as inconsistent with our interest in the Asia Pacific.

And I also think in these larger Chinese aims, in many cases, they're inconsistent with our own. So, I think for us, it calls for everything from a much more serious competitiveness policy, and that gets at the things again, like infrastructure, education, immigration, federal financing, and so forth. To paraphrase a book I once wrote, China policy begins at home. We got to do all those things, and we've got to do certain

things with others, Japan, South Korea, India, Vietnam, and others in the region. And we got to do stuff with others outside the region, like the Europeans, about technology policy and so forth. So, I actually think we need a local as well as an internal, as well as a global response to the China challenge.

The good news Kevin is I don't feel any future is baked into the cake. I'm not one of those who say a new Cold War is inevitable or something like that, or anything. Indeed, nothing's inevitable. I actually think what makes this such an interesting, potentially dangerous, potentially positive era, is there's a lot in play. And the United States and China are coming to grips with the changing power balance between them and neither side, shall I say, is locked in cement. China's evolved under Xi Jinping. We've come a long way for better and for worse in the last five or six years. So, as a result, there's possibility, but there's also a real danger of miscalculation. And so, I think this is clearly an area again where one feels the tectonic plates are potentially moving. And the question is, can things be managed both to avoid conflict and to avoid outcomes we don't want to see? And the jury's out.

**KK: You made the point about having to sort of thread the needle so we don't upset elements of the economic relationship that are mutually beneficial and important to the U.S. economy and so on. I wonder, President Biden in his press conference last week very explicitly spoke about this battle between democracy and autocracy as embodied by China and Russia in particular, looking at China as more than a competitor, talking about the cult of Xi Jinping. It seems like there's always this kind of talk in foreign policy circles debating the Cold War terminology, but it does seem like things have taken a more ideological turn of late from what we saw under the Trump administration. It was clearly focused on the**



**trade deficit mostly and didn't care about what was happening in Xinjiang and so on. Does that concern you that there's this more ideological overtone now?**

**RH:** Well, there is. I think I'm part the Chinese have done it because they show scenes of American political disarray, January 6th on their television and they say this proves why we're right not to be a democracy. They used this in a self-serving way to justify their own repression in the same way that lots of Arab regimes showed Arab Spring pictures and said, we don't want chaos, we need an orderly society. So, there's that. So, whenever we act badly, whether it's that or when we had months or a year of incompetence, vis-a-vis COVID, we actually were doing a massive favor for the Chinese Communist Party. I found that ironic that the previous Secretary of State would make a goal of American foreign policy to undermine the Chinese Communist Party at a time his administration was taking the pressure off the Chinese Communist Party by having a largely incompetent response to COVID. Just saying, I just found that a contradiction, shall we.

I think there is something of an ideological competition between the two. But look, what we can control is not China's model. What we can control is our own. So, my view is if we show that democracy delivers, that we're competent in stewarding the economy, and dealing with COVID, and dealing with our race pressures, and making our politics work, you name it, we'll do just fine. So, at some point, I don't get up every day worrying about China. Again, I worry about us. And if we do things, fine, then people will see this as a successful model. They'll see that democracy delivers economic growth, personal freedom, vaccine breakthroughs, what have you. They'll see the creativity of this country. They're still lining up around the world to come to American universities. We have a lot that appeals in this country, so I'm not worried about a competition with China.

And also, I think China has massive problems in terms of demographic problems, it's going to make mistakes like it did with the one-child policy, like it did with the outbreak of COVID-19, the lack of human freedom, the environmental problems, public health problems. China's got a long list of issues. It's got economic challenges moving ahead. So, they're not 10 feet tall. So again, I'm not worried about a competition of systems or ideas. The real question to me again is I can't control what China does, but we can control what we do. So, to me, it's really about us.

**KK: Yeah. That tees up my last question on China, which is you made the point that China is not lying low and biding its time anymore. It is moving aggressively on many fronts. And I'm wondering how much of that is because of where China is now in its development path, and how much of this is really about Xi Jinping, knowing that I've got this demographic cliff out there, I've got an environmental cliff out there, I have to act now and the rest of the world is going to catch up to the fact that China is this rising entity.**

**And oh, by the way, I got a gift from the United States and Europe over the last few years of all of their disarray and so on, so it's a window of opportunity. I mean, would Xi, in your view have been as aggressive irrespective of Western response, or did our sort of demonization of China during this period create him in a way, did it force his hand to be more aggressive?**

**RH:** I wouldn't say that. It's an interesting question. The answer is we don't know. But my own view is that he was moving in that direction and what we gave him was opportunity. We gave him opportunity through the weakening of our alliance system. Not joining TPP was a strategic error, continues to be a strategic error. We're essentially absented as ourselves from regional economic groupings, pulling out of

all these international, by the way a bipartisan error. Democrats and Republicans are equally guilty of that. The previous administration pulling out of things like the World Health Organization or Paris made no sense. We never formulated a serious alternative to Belt and Road. So, we kind of left the playing field open for China. Our domestic divisions with the rest of the world.

I think again, China has gradually moved in the direction of economic advance. And depending on how you want to call it it's essentially the world's second-largest economy now. It's a question of when it becomes the largest, depending upon how you measure economic output. You've in absolute terms and in relative terms, it's improved against us. It's come out of COVID much quicker than anybody else. So, I think Xi Jinping so opportunity. My sense is they recalibrated, that they always had certain ambitions. And I think they accelerated their schedule simply because opportunities or openings presented themselves. And I think now, it's actually an interesting moment I expect. I hadn't thought about it quite this way. If you were a Chinese strategic planner, and imagine you're an advisor to Xi Jinping, how do you describe us?

And how do you say, how will opportunities or openings for China get bigger or smaller with the passage of time? How should China think about the future? And, for example, do they wait out these four years and see what comes afterwards? Do they say, "Uh-oh, we have to be careful, the Americans are going to revive, therefore, time works against us?" It's a very interesting question. Do they reconsider more dramatically? Do they basically say, "Well, we don't have quite the opportunity that we thought and that we have to pull back some of our ambitions?" Because once again, we see the revival of American alliances and America's willing to stay. I don't know the answer to those questions. But my guess is the Chinese are having some serious conversations about how

the passage of time will served their interests, because you know there's impatience there.

And I think they've got to decide whether time and the trend are their friend or not. And the answer is quite possibly, they haven't decided. And since again, what we can't control are their calculations. What we can control is what we're doing. So, if we're worried say about their temptation to move against Taiwan, I would say, okay, well, we ought to be taking steps on an accelerated basis to make that a less attractive option. And there are things we can and should be doing, or if we're worried about certain economic openings then why wouldn't we go to the CPTPP and say, "Hey, we're interested in joining. Here's some negotiating terms we want to put forward." We should be doing that.

If we don't like what China is doing around the world with Belt and the Road, well, why don't we expand what we're doing in terms of everything from foreign aid to World Bank lending. We want to build a slightly more green infrastructure at home, well, why don't we offer that globally? Why don't we make that a big part of U.S. foreign policy and World Bank lending? So, I actually think that again, we can't control what China does. What we can control to some extent is the context in which China operates.

**KK: So, China has taken the lead on the RCEP trade deal. They entered into an investment agreement with the European Union. They have built new institutions. You've talked about the military buildup. They are joining and taking leadership roles on the standard-setting bodies around the world. China doesn't really have alliances in the way that we think of the alliance structure typically, but what they are trying to buy seems to be neutrality on a large part of the world. We, on the other hand, are trying to rebuild or reinvigorate our traditional alliances.**

**But you made an interesting comment at the start. Because President Biden has made this statement, “The United States is back.”**

**But you made the point that it’s going to take more than one election cycle to convince our allies who were deeply impacted by what’s happened over the last four years. Talk about the alliance system and the Biden administration’s approach to it and what you think we can achieve in this kind of post-Trump era of U.S. leadership versus U.S. leadership that we’ve seen in the past.**

**RH:** Let me say one thing for 30 seconds. I think China wants more than neutrality. I think it wants support from others around the world and it’s using Belt and Road, and loans, and other things to build support. So, it’s not an alliance system, but I think it is looking to build support or guaranteed access, whether it’s to Iranian oil or somebody else’s minerals. I think China is trying to bring about a global situation that serves its economic and strategic ends. Look, I think for ourselves, I think allies in Asia and Europe welcome the general inclination of the Biden administration, consultative, believes in multilateralism, believes in global institutions. I think they have trouble with some of the specifics.

I think that some of those in Europe, obviously, there’s real friction over the natural gas pipeline from Russia, real doubt, a certain lack of consensus about how to deal with Putin’s Russia, and wary over what happened here over the last few years, getting back into thinking about questioning exactly how enduring is the kind of restoration shall we say of things in America. I think Asian allies don’t want to have to choose between the United States and China, still see us missing in action from the principle regional economic groupings, see the rhetoric, but aren’t quite sure what the policy is going to be. So, I think allies around

the world in Asia and Europe are inclined to see this new administration more favorably, but a little bit of a show me, wait and see.

They want to see what the detail. The place where allies aren’t wildly enthusiastic about the new administration is the Middle East. They’re worried that it could bring about more pressures, the Saudis, the Israelis, and so forth, are worried about what, for them, a return to a more traditional foreign policy is not welcome, don’t like the soundings on Iran, worried about a peace process pressures. Worried about human rights type considerations. So, I think the set of allies that’s least comfortable is in the Middle East, Arab, and Israel alike. But I think again, in Europe and Asia, both things being equal the new allies are welcoming of the administration, a little bit skeptical. And again, the biggest question is they don’t know if this is a four-year interregnum or not. They don’t know how much they ought to reset their foreign policies or just dial them a little bit and then wait and see.

**KK: I want to ask you something about something that is a risk to a lot of our clients and it’s buried in some of what you’re talking about there with the allied system, and that’s with regards to sanctions. Now, clearly, we have seen elements of sanctions working very, very well when the allies work in concert and everybody’s on the same page, was able to drive Iran to the JCPOA negotiations and the like. But have sanctions been overused? Do they work? I think for a lot of our clients, it has become so complicated that essentially, they stay as far away from the line as they possibly can, and then actually, the sanction’s impact becomes bigger than was actually narrowly defined by the policy itself. And then there’s the bigger long-term question of sanction impact on moving away from the dollar as the global reserve currency. But basically, sanctions, what’s your thoughts on that?**

**RH:** Let's deal with sanctions first then we can talk about the dollar. Look, I've done several books on sanctions along the way for my sins. My own view is we turn to them too often. I've been at too many meetings with the government where the choice was between going to war and essentially doing nothing and sanctions became the preferred compromise middle course, do something but not too much. And so, we now have sanctions piled upon sanctions piled upon sanctions. In my experience, sanctions almost never accomplish big things. Other countries are willing or able to absorb the price of sanctions. Also, over time, end runs around sanctions invariably grow up.

Whether it's in the Middle East, or Turkey, and others would get involved in oil trade, or now we see China helping out Iran, or Russia helping out North Korea, workarounds happen. Sanctions often cause collateral damage in populations. Sanctions also often have unexpected consequences. Even targeted sanctions, you mentioned the dollar, are going to hasten the emergence of a monetary order in which the dollar plays a less central role. Countries don't want to be so dependent upon a currency in a currency system that can be used for political purposes by the United States. So, my own view of sanctions are a potentially useful tool, but badly overused and I think our ambitions tend to be too great for them.

The conditions under which sanctions can really be effective rarely exist and can rarely be brought about. So often, sanctions become more of a symbol or a gesture, an expression of American preferences or feelings rather than a real instrument of foreign policy that's going to get you from here to there. So, they may make us feel better, they may politically check a box, but rarely, in my experience, do they accomplish significant things.

**KK: So, I'm aware of the time, and I'm going to skip ahead to a couple of really fundamental questions I want to ask you**

**before we go. The first is the pandemic exacerbated a lot of things, and it put on stark display what works, what doesn't, where our weaknesses are, and so on from China's recovery to the kind of global response, the vaccine development to now vaccine diplomacy and vaccine nationalism. It's all there. And when we think about the other big, giant global threat of the 21st Century, climate change, one that requires everyone essentially working toward the same objective, what are the lessons that you've learned from the pandemic responses politically and how that's going to translate into the challenges as we head toward COP26, John Kerry's diplomacy, and the like?**

**RH:** Great question. A couple of things. One is in both of these areas there's an enormous gap between global institutions and global challenges. The challenges are much bigger than the institutions, particularly, obviously climate change. Second of all, collective effort in some of these areas is not as important as national effort. By that I mean there's nothing you can do in climate at Paris that's going to matter more than what the principle economies do nationally. Paris is more going to be the sum total of U.S., India, and Chinese, European effort than it's going to be what they collectively do with one another. Same thing with the vaccines, at least at the outset. It was much more about what countries could do in developing and vaccinating.

Only over time will the collective thing be more important. Also, national effort. It's interesting. In all of these areas, it's not by regime type. Democracies and authoritarian systems, some of them do useful things and some democracies and authoritarian systems do unhelpful things. By and large, the worst performers have been populists, Brazil, Mexico, the United States in their previous administration. The best performers been both certain non-populist democratic countries or certain authoritarian



countries that had a degree of Vietnam or what have you. Kind of my thinking.

**KK: So, one of the things that's come out of this, I think, for our listeners is that the world is a very complex place and we haven't even barely scratched the surface here. You talk to a lot of CEOs, and these CEOs right now are going through something that no previous CEO has gone through before, no entrepreneur, no board, no regulator, no government, which is that we're going through the supplanting of one economy as another as the largest in the world. And these people all came of age in a period of U.S. hegemony, which was supporting the liberal international system that it had designed and that it benefited more from than anybody else, even though it raised global standards across the board.**

**And they came of age as corporate leaders when globalization, as we originally think of the term. And all of this allowed for the multinational corporation to essentially be the dominant economic actor in the world. All of that is in flux. So, when you are talking to CEOs now, and of course, the scoreboard is instantaneous with global markets, global media, social media, and they're still on the quarterly earnings cycle, two-year congressional election cycle. China is not on that. Tell us a little bit about your discussions that you're having with CEO-level people at this point.**

**RH:** Bottom line, it's worthy of an entire conversation, is I think it's become a much tougher environment for CEOs to navigate. Let me say three reasons. One is I think the chance for a revival of old-fashioned geopolitics is high. They've been relatively muted for the best part of the last 75 years. They aren't going to be muted going forward. Second of all, all these global challenges, like health and climate and cyberspace, again, I don't see us catching up. At the moment, the challenges are outrunning

the willingness and ability of governments and others to cope successfully with them. So, all of these make for, I think, a much more difficult, a bumpier to use an elegant word, environment for CEOs to navigate. And then I think politically it's become a much more loaded environment.

I used to teach at the Kennedy School and the folks across the river at the business school at Harvard look their noses down on us, because their view is that business management was somehow a higher order of activity, and you politics people were a lower form of life. And when I look at the day-to-day of a CEO, it's looking increasingly like someone in the political space. You've got to deal with questions of climate change, and you've got to deal with race. You've got to deal with voting rights issues, where your plants are. You've got to deal with employees, maybe who are unhappy that some of your contracts are going to ICE and have certain implications for immigration or to this or that weapons system. Or you're importing stuff from Xinjiang. What does that mean? What about your carbon footprint?

So, if you think about investors, people who buy your stocks, or private industries, you think about employees. You're looking about customers, about pension funds, what have you. This has become a stunningly political environment, as if it weren't tough enough before all this or without all those. And so, I actually think that that's a growing reality. And Kevin, going back to where you began, I think as a result, CEOs need to become much more proactive in thinking about how to shape the environment, not simply react to, but shape the environment they're working in politically. And they also need to think differently about public-private partnerships. The idea that they can or should be left alone is fading and that increasingly their relations with our government, their own government, say in the United States, but other governments needs to actualize.

So, I actually think American corporations, in particular, really need to rethink their Washington, New York, and Brussels and other presences. They need their own domestic policy offices and their foreign policy efforts, because they've got to both anticipate, they've got to shape and not just react to a world in which a lot of the playing fields they're operating in are going to be made by people who are in the political sphere much more than in the past. I actually think it's become a much more cluttered, complicated space for corporations and CEOs.

**KK: What's really interesting, I just anecdotally, I see as we embarked on a new administration, my Washington office's guys are working overtime. Every company wants to fully understand every single layer of this new administration and where the pressure points are and so on and so forth. And interestingly, they don't necessarily apply that same level of detail when they are looking at China or they are looking at the European Union or whatever. Those are much more of a focus on the top level, but they don't go as deep. And so, there's this big focus on the U.S. and a focus on how the U.S. thinks about the rest of the world rather than from the other perspective, which I think is something that's going to continue to need to change as well.**

**RH:** The other thing I would just very quickly say is when they think about how they train and develop their talent for people who are going to rise to levels of ever greater authority in their companies and responsibility, this ought to be part of their training. Just so whether it's about domestic politics or international politics, I mean, it's the stuff you tend not to learn in business school. I actually think a lot of in-house training as you groom people for ever greater responsibility ought to be to think about not just leadership training and management and so forth, not just business stuff, but increasingly political and

foreign policy stuff. This, to me, is now essential part of the software, so to speak, of a successful corporate executive.

**KK: So, I think the CFR or the Council is best known for its individual members, but since 1953, there has been corporate engagement or corporate membership. I think Pan-Am and the Singer sewing company, the sewing machine company, were the two inaugural corporate members. But anyway, but to that end, in helping companies think about all this, I mean, tell us a little bit about what corporate engagement is like with the Council. What does that do for companies and what do companies bring to the engagement for the Council itself? I think there are still some people out there who when they hear about the Council on Foreign Relations, they think its part of that cabal, with the trilateral commission and Bilderberg and the Rothschild family that kind of runs the world. But what is it, really, and how do corporations benefit from it, from their participation?**

**RH:** Well, thanks for asking. The Council is a truly independent, truly nonpartisan institution. We're in the two businesses, really. We're in the ideas business and we can distribute ideas in any number of forums, and we're in the people development business. We're probably now developing the best young pipeline of future generations of talent that knows about foreign policy, and it's also an increasingly diverse pipeline, I'm glad to say. We've got about 150 plus or minus corporate members. And I think for them, it gives them access to, we've been averaging even over the last year, we've had over 500 events in the last year about every functional and geographic issue under the sun and some beyond the sun. So, it's exposure to this world of ideas, exposure to really talented idea people, the generators of the idea in meetings.

It's also a chance to get your talent exposed to these things, and we have all sorts of programs for younger people in corporate settings to get them increasingly up to speed and familiar with these issues. It's a chance to see your peers. We have our corporate conference. We just had our corporate conference, rather, last week. So, you got to attend a session with me and Madeline Albright on geopolitics with Bob Rubin and Tim Geithner on things economic and so forth. We have an annual CEO's meeting coming up, or a lot of what we were talking about, Kevin, how to operate in a more political environment and how to navigate everything from U.S., China to a larger U.S. government role in the economy and society. How to deal with those.

So, I just think it's a real resource, both to traffic in the ideas, to network with other corporations, and also to expose personnel to these issues. And we've also got a whole separate corporate program. So, in addition to giving people access, if you will, to the stuff of the mother ship, we also try to create workshops specifically for the more narrow concerns of corporate members and basically ask them to help us shape the agenda. So, if there are questions or policies or issues that are of particular import to them, then we can drill down in a way that, again, is most relevant for them.

**KK: And worth noting that even though the membership and the headquarters are concentrated in New York and Washington, it is a truly national organization, and you do events in the normal world, outside of those two cities as well.**

**RH:** We do it geographically, but also like a lot of, I think, everybody on this call, we've learned stuff over the last year. This has been an unanticipated, unexpected learning experience. So even when we can go back to the old way of doing business, we're not. So, what we're going to do going forward is make sure virtually everything we do is, to use the overused word,

is somehow hybrid. And whether you're in-person in New York or Washington or some local meeting or not, you'll also have some sort of technology connection to it. And we've just gotten more familiar with that, and increasingly people expect it. And so again, that's just going to become part and parcel of our standard way of procedure. So, geography is going to matter for much less than it used to.

**KK: Well, Richard, we were here to talk about foreign policy, and essentially, we only got to talk about the United States and China and barely mentioned any other countries. Didn't get to talk about cyber that much, and we scratched the surface on climate change. So hopefully you'll come back at some point, because there's a lot more to unpack. This was really fantastic. Thank you. Thank you everyone else for joining today.**

**If you have any questions, you can reach out to us at [teneoinsights@teneo.com](mailto:teneoinsights@teneo.com). I wish you all the best for the long holiday weekend, and we will be back with our next call in two weeks' time on April 15th. Please join us then. Richard Haass, President of the Council on Foreign Relations. Thank you very much for joining me today.**

**RH:** Thank you, Kevin. Thanks. Be well.

**KK:** You, too.



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