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PRINCIPALS/PRINCIPAUX: Emily Lau, Chair of the Foreign Affairs Committee,
Democratic Party, and Former Chairperson,

Democratic Party, Hong Kong;

Lady Pauline Neville-Jones, Member, House of Lords
Josh Rogin, Columnist, Foreign Policy and National
Security, The Washington Post;

Admiral Karl Schultz, Commandant, United States
Coast Guard;

Dr. Gideon Rose, Editor, Foreign Affairs;

SUBJECT/SUJET: Plenary 2 at the Halifax International Security Forum entitled
“Values Trade: Our Way or the Huawei”.

Dr. Gideon Rose: The intros get wackier every year. It's truly amazing.
Welcome everybody. My name is Gideon Rose. I'm the editor of Foreign Affairs and
we have a great panel for you. Let me just start by saying a word of gratitude to
Halifax.

There was an era when the world got dark and civilization got threatened and civilization
was being lost, the old ways and learnings were forgotten and (unintelligible) remnants
fled to the shores of the North Atlantic to try to preserve some shreds of what was left
for future generations.

That's in many respects how the Irish saved civilization in places like (unintelligible) and
so forth during the Dark Ages. These days when dark times are once again spreading
across the world we have again been lucky enough to flee to the shores of the North
Atlantic, the most extreme remote parts of civilization to a haven and a refuge from the
darkling plain outside where ignorant armies clash by night.

Here in Halifax the old ways rule. We respect truth. We respect logic. We respect
good clean argument. We respect each other and this institution embodies public
discourse the way it was meant to be, a collective attempt to apply human reason to
public affairs and deliberation in order to get some purchase on the challenges facing us
and what we can do about them consciously rather than just drift through history.

I just want to thank Peter MacKay and Harjit Singh and Peter Van Praagh and the
patron saint of Halifax John McCain now in the great conference in the sky for what they
have created, for the refuge we can now come to and have these discussions. I just
wanted to thank you Peter and thank you Harjit and everybody else responsible for
Halifax.

(Applause)

It shouldn't have to be said but these days it has to. With regard to the Values Trade, many of us feel like this is another kind of late 40's time with another superpower with a different set of values as the west confronts what to do with a long-term relationship but unlike the late 40's, unlike the Soviet challenge, the contemporary Chinese challenge posing to the west is not just one of ideology and money, primarily one of ideology and it's not just a strategic challenge.

It has so many dimensions including economic dimensions and human rights dimensions and so many of them conflict and the question of how to manage the relationship between China and the west with all the different equities involved, and protecting them, it's something we never had to do with the Soviets. You didn't have the NBA having a substantial equity in the Soviet market and so it didn't talk about the gulags because it wanted to preserve its concessions. Now you do.

What does it mean to have a relationship with China going forward with all the different dimensions including some of the stuff we heard about last panel as well going forward. That's why we have a great panel to introduce us to and discuss it with today.

We have here Dr. Emily Lau, an important voice and politician and activist from Hong Kong, Admiral Karl Schultz, the Commandant of the Coast Guard, Lady Pauline Neville-Jones, one of the most distinguished UK diplomats and wise women here to enlighten us, Josh Rogin, columnist for the Washington Post and one of the great investigative reporters of our day covering all these issues.

With that let's get into it. Emily, let's start with you. We heard a lot about Hong Kong last panel so we don't need to go over the basics but on the other hand you actually know what's going on there. Talk a bit about in effect the downside of the Chinese values trade. What is going on and what are the problems that are being posed?

Emily Lau: Thank you Gideon. I want to thank the Halifax Forum for inviting me here. When I got the invitation in August I said yes, I will come because I think it's my mission to inform the world of what's going on and of course to get international support. Since June up to now I think I've done countless international interviews.

It's a great pleasure and at the previous panel there were so many questions on Hong Kong. I'm very pleased. What's happening there? We're coming to almost six months of turmoil. We had a big march, one million people on June 9th and now we are coming close to December 9th and the thing has not stopped. As we speak I think there are still dozens of people trapped in the polytechnic university in Hong Kong.

I'm sure many of you have been to Hong Kong. You know the cross harbour tunnel which has been blocked for many days now. It is maybe if not it's going to be a

humanitarian crisis Gideon if you have people trapped inside, the hygiene conditions bad and they are very cold and so on.

I just hope that President Xi Jinping if he is not watching now I hope his advisors are although they are of course not invited to this forum. I hope they will understand that the world is watching and the Chinese human rights lawyers have told me because I belong to the Chinese human rights lawyers concern group which was formed in Hong Kong eleven years ago, they say if someone tells you China does not care about international opinion, don't believe it.

Why? The lawyers say because China cares about face. In fact I think many countries do care about face too. Minister, you can tell us that. Anyway I think international opinion is important but of course we have to do our own thing. You have seen us performing for more than five months. That's why there were so many questions asked. Of course things happening in Venezuela, in Egypt, elsewhere also very gripping and I think people should care about it but I'm very grateful.

What we want and Gideon, what's going to happen on Sunday. There are going to be elections I hope, district council elections on Sunday but now if you go to Hong Kong many people will tell you they are very concerned the government may postpone the election because they say the environment is not conducive. I say there were elections in Afghanistan. I don't think you want to compare Hong Kong with Afghanistan.

I don't know how many people have been killed there in recent months. So, my dear friends, Hong Kong is in turmoil. We are facing the biggest crisis in Hong Kong's history whether it's under British colonial rule or under Chinese rule. But we want to get out of it. Many of you have been to Hong Kong. We have no democracy but we enjoy so many things that a democracy gives like freedoms, rule of law, independence of the judiciary and personal safety which many countries that have periodic elections do not enjoy.

Their people do not enjoy – I don't need to go down the list Gideon. So, that's the ironic thing about Hong Kong. We are not most of us are not fighting for independence. Don't let the Chinese government misinform you. There may be some, a very small number. What we are fighting for is for China to keep the agreement, the promise made in the Sino British joint declaration of 1984, in the basic law of 1997 that Hong Kong can continue to enjoy the capitalist system, our free life style, our rule of law, our personal safety, not forever, for 50 years until 2047.

But Gideon we are only in 2019, only 22 years. There are still 27 years left and some people say Ms. Lau, only 27 years left. I say have you heard of the expression, in the long term we're all dead so why don't you die now.

(Laughter)

We are not going to die my friends and I hope you won't let us die.

(Applause)

It's not just for the love of Hong Kong which would be good because I think the speakers in the previous panel said these are universal values. We should care about Venezuela, we should care about Egypt and elsewhere but they are all more reasons. I think the previous panel or other speakers have said there are 300,000 Canadian citizens Minister living in Hong Kong, countless Canadian companies operating and there are many British citizens and some BNO (ph) of course and many Americans and so on.

It's a very international city. A few months ago the New Zealand government said they are trying to mount an evacuation campaign. Minister, I hope you don't have to do that. How do you evacuate 300,000 people? So the thing to do is to help Hong Kong to make sure we can continue to enjoy the freedoms and the personal safety. You've been to Hong Kong. It used to be very safe, very peaceful but no longer.

The situation is bad. I want it to de-escalate, to dial down, not just to have the election on Sunday but to find a peaceful and civilized resolution Gideon. I hope the panel will give us ideas and help us to do it because we have many friends here. I'm so happy. Thank you very much.

(Applause)

Dr. Gideon Rose: So Admiral the world is watching. Is the world or at least the US forces going to do anything about it?

Admiral Schultz: I'm not sure I want to follow Emily.

(Laughter)

Gideon, thanks for the question and thanks Peter for the invitation back. I would tell you as I look through the Indo Pacific through a maritime lens I see naval forces, maritime forces in large part look a lot like Coast Guard in terms of authorities, in terms of missions. The US Coast Guard we're operating in the region to an increasing extent today working with allied partners, working with likeminded nations that share and want to foster a commitment to a secure maritime environment.

We look at China. We look at standardizing, stabilizing interactions with China but what we're looking for the US naval forces, the US Coast Guard, allied partners is a free and open Indo Pacific first and foremost. We're looking at rules based order, adherence to international norms. As I look at the China situation, the audio and the video don't match. You look at the islands, dozens of islands that now have anti-ship, anti-air missiles, the runways but the rhetoric doesn't match that.

We're working with ASEAN partners in the region. I think the sweet spot for the US Coast Guard is building up some of the larger ASEAN partners, doing a lot with the Vietnamese, with the Indonesians, the Malaysians. I was over in the Philippines recently. The Philippines have a navy of 4,000, a Coast Guard of almost 12,000 growing 4,900 a year, growing to 35,000. They're really looking to bolster their posture. You wake up as a neighbour of China that's very different.

It's easy to have a view from across the ocean but their reality is quite different so we're helping them build their capacity. I was over there with some of our navy colleagues Operation (unintelligible) in the Philippines, the navies, the Coast Guards working together. They were so excited to have a national security cutter there. What we see with the naval forces of China, they're approaching 300 ships at sea. Their Coast Guard is a couple of hundred ships.

The Coast Guards' largest ship 3-4 years ago was 1,500 tons. It's close to 12,000 tons. Our global deployer that we just came heel to toe rotation seven months consecutive is a 4,600 ton ship. The China Coast Guard as of July 2018 went from being under civilian control to they're under the People's military police which is a direct report to the Chinese Central Party, what they call the People's armed force military or maritime militia operating with direct ties.

So there's a gap. I think what is important when you think about the region, a third of the world's maritime commerce, when you expand that to the Asian region 60% of the maritime commerce, we're trying to do a push in there.

I think China wants to obviously grow their maritime forces to displace US influence and from the US Coast Guard standpoint we're part of that team to model the behaviour when a Coast Guard ship shows up anywhere in the world – Whitehall, orange and blue, iconic racing stripe, that denotes adherence to model maritime governance, just the values of lifesaving, of environmental concerns.

China replicates that but they're antagonistic. They're coercive. They're running down the Philippine or Vietnamese fishermen and there needs to be a call. I think a little bit of the face that Emily talked about, it's a bit of a calling out moment and I look forward to your questions.

Dr. Gideon Rose: Thank you very much. Pauline, I was in the UK during Xi's last visit and a Pakistani friend was laughing contemptuously. I said why. She said this is England. This is Britain. This is the United Kingdom and they're behaving like Pakistan, sucking up to Xi for everything just to get contracts. How does the values trade with China look from the perspective of the UK?

Lady Pauline Neville-Jones: You can see there's not unanimity of opinion (laughs). I was rather with the Pakistani I think. Clearly we are at sixes and sevens over our attitude to China. On the one hand we want the commerce and the trade. On the

other hand we're increasingly I think anxious about the long-term and what this means for freedom and democracy.

I think the question following what Emily Lau just said is we have to ask ourselves despite what President Trump said about being the saviour, would China really believe that were he to use the police, the armed police or send across the Chinese police into Hong Kong, would there be any price to pay. I think there's some real doubt about whether there'd be much of a price to pay. That tells you something it seems to me about our lack of impact and our disunity.

If you look at the policies we're pursuing I think we certainly are at the moment much more interested still in the short term trade. If anybody hasn't read Steve Tsang's (ph) paper, please do so. It is very cogent on this point. The point he's basically making is the Chinese have a strategy and I say we don't. What does that strategy consist of? It is toughening up the situation at home, we can see that happening, increasing their influence abroad partly through Belts and Roads, not only that but certainly Belts and Roads.

They are making strategic acquisitions around the world but also in democracies, picking up assets cheaply which in due course might be very interesting for them. They look around the world and they decide where they need to place their investments. I was in Greenland recently. Who else was there? The Chinese. Why were they there? Because of rare earths.

They think long-term. They are laying the base for acquisitions for the kinds of technologies they want to pursue. At home I think partly defensively, partly because anyway it's their ambition but partly defensively, they want to increase their resilience against any kind of pressure from outside. They are moving from the workshop to the laboratory to become a high tech nation which is unequalled.

These are all the ambitions and they are prepared to pour the money in. They're getting their education where? Partly from the west, in fact at the moment largely from the west probably. We are feeding something that could be a monster. What do we do about it? That we need to think about. As long as we pursue our relationships with China largely separately on the basis of short term national interest I think we are giving away the game.

I'm old enough to remember and very large chunks of the Cold War it took us a long time, it wasn't a case of being able to do this in 1945. We did it over a period of time but we did actually come up in the end with a strategy. If you remember it was the dual strategy of the firmness and pressure and military strength on the one hand and it was the offer of cooperation and human rights on the other, the dual track, the (unintelligible) doctrine.

This isn't the same. Steve Tsang is quite right to say we can't just do containment because we're far too integrated economically were we to pursue that and these efforts

at trade punishment that are going on actually are on the whole I think more damaging than they are useful. They send signals though and those signals are important but how the Chinese are reacting is to try and safeguard themselves in the longer term.

I don't think at the moment that it's serving a great useful purpose. It is an isolation from what needs to be an overall much larger it seems to me, fuller strategy. I'm going to say just a few things about what I think might be in that strategy. When you go from the analysis to the how, that's when you get into trouble, so here goes (laughs).

I think we need obviously this is something we've done in the past and I think this is one of the things frankly that's relatively easy which is to decide, and this requires agreement across the democracies, the core of which are the old NATO alliance but it should go wider than the NATO alliance.

We need to decide those things, those technologies and those devices which it's important that we don't export to China in order to strengthen her military capability gratuitously. We know about – we know how to do that. That I don't think is so difficult. What I think is more difficult, actually more important, is to also have agreement on where and how we're going to allow the Chinese to invest in our economies given the way they are picking us off with strategic ambition.

That of course is partly where the Huawei issue comes in. I might say the British government has its mind on other things and has decided not to decide for the time being but the decision will have to be taken. We are disagreed. It doesn't help ladies and gentlemen frankly that there's a shouting riot across the Atlantic on this subject. What does it do? It gives the Chinese a platform to intervene in the argument which is exactly what they've done in the UK. That doesn't help.

That's not the way to solve the disagreement and get agreement on what the basis of policy should be in the future. We have to recognize that the Chinese are very competitive. We've got to organize our economies that we start to be more competitive. That's a question obviously of how we run our societies. Part of the problem of populism is that we have allowed inequality to grow inside our societies.

That in turn affects our proactivity. I think the other thing we need to do and must be part of the strategy but where the US is in the lead – there are two elements here where US leadership – US leadership is crucial all the way through but two areas where US leadership is fundamental. One is how we as democracies stick together because not all the democracies who would wish to be less beholden to the Chinese, less willing to take Chinese products are equally prosperous.

We need to think about the extent to which we transfer and are willing to transfer technology between us and sustain it between us on a western basis. That requires more willingness on the part of the US to share than is the case at the moment. It's certainly a strategic decision of long range and one that's very important.

The other area is where I think the Admiral just said which is the military component. That largely falls on the US, not exclusively but largely on the US. It's hard to see how other allies are going to contribute an enormous amount but I do think that in the context of a strategy that was broader in its scope and laid foundations for a new way forward that one would find that other countries would be more willing, more able, more interested in contributing also to the military side of the relationship with China.

Those are some thoughts. The other challenge is our age. Are we going to meet it? Are we going to take it seriously or are we somehow going because we remain divided and because it's too easy just to think about the short term by default to let China become the dominant power of the 21st century.

Dr. Gideon Rose: Thank you very much Pauline. Josh, it's on your shoulders. Are we going to ignore it? Are we going to deal with it and if so how?

Josh Rogin: Thanks Gideon. Thanks everybody for including me. I think what I can offer here is my honest evaluation of how our government, the US government, the Trump administration has been handling this challenge. I think frankly they deserve some credit and some criticism, first the credit.

The Trump administration has done a lot to reset the conversation by returning to the frame of strategic power competition, increasing pressure on Beijing on the economic front, clamping down on the worst abuses through law enforcement and economic penalties on China's worst offenders and talking openly about China's worldwide economic aggression and the Chinese Communist Party influence operations and infiltration of American and international institutions of all kinds. That's good.

Here's the criticism. The Trump administration has failed to bring along friends and allies due to its corresponding conflicts with those friends and allies, its aversion to multilateral organizations and the President's poor reputation and behaviour abroad. The administration has failed to incorporate American values promotion into its Chinese strategy effectively, in fact often acquiescing to Beijing's efforts to link issues like human rights and trade to their advantage.

I think you saw that in the Fox and Friends interview this morning. There's a lack of resources needed to back up the new strategy and provide countries with viable alternatives to debt trap economic schemes. I was in Vietnam with Defence Secretary Esper yesterday and he presented the Vietnamese government with a second cutter. Thousands of Chinese white hull ships, grey hull, blue hull, whatever, now they've got two cutters. We're not matching their rising commitment and the region knows it.

Inside the administration there's an interagency struggle wherein the Treasury Department and the National Economic Council often work counter to the objectives of state DOD and the NSC. There's an overall lack of clear messaging and a breakdown of diplomatic signaling, part of the chaos of this administration's foreign policy but that's

not China specific. The White House can't resist politicizing the China issue somehow but that's not White House specific.

I thought I could give you a great example by talking about Huawei because this is something that a lot of us in this room including me have focused on for a long time. At first blush when we first started talking about this it was a tech issue and over time we started to realize it's a national security issue. When the Trump administration came in, now it's a trade issue and then we realized they were busting sanctions and that was a law enforcement issue.

Then, as everyone from Canada knows, that law enforcement action turned it into a diplomatic issue and a human rights issue. Would it surprise you to know it's also an academic issue? Fifty Huawei research centres in American universities all over the country. Would it surprise you to know it's a lobbying issue? The Obama administration's former senior director on the National Security Council for cybersecurity is a registered Huawei lobbyist.

Would it surprise you to know it's a media issue? If you want to hear my story about how Huawei invited me to Shenzhen on a first class junket to go see the labs to prove that everything was on the up and up, I'd be happy to tell you that later at the bar after the lobster. It's kind of crazy. When you think back about this evolution you realize it's all one story. It's not a story about Huawei.

It's a story about the Chinese Communist Party's comprehensive, well-funded well organized plan to undermine our prosperity and national security and democratic freedoms. Huawei is just one piece of that. The piece of that that Huawei represents is the pattern if you put it together with (unintelligible) where the Chinese Party state is building out a comprehensive tech strategy to achieve dominance in that domain and it's working.

He who controls the tech platforms can control the conversation. They can control the discussion to amplify or excise voices and topics and words even on the internet. This is so problematic because underlying CCP's ambition is their aim to impair free expression which is central to the Party's efforts to compromise our information space to advance their objectives and their incentives at our expense.

We can talk about all that in the question and answer but the point is that when we talk about the military, economic, it's all one problem. From the Chinese side it's all one strategy. We have to start thinking about it in these terms so we can develop one response. I'll stop there for now.

Dr. Gideon Rose: Okay, thank you panelists. We're going to bring in our distinguished participants to join the conversation in a second but first I want to go back to you guys and let me press you on something. I want to play devil's advocate. It has been a very hawkish panel and let me see how this kind of thing would work from the other side.

If I were Chinese frankly from somewhere in Beijing associated with the government I would say you guys are a bunch of hypocritical virtue signalers. How would this work? Half a century ago we were the world's worst tyranny on the planet. You were happy to ally with us and work with us then when we were in the midst of the Cultural Revolution and its sequelae. You wanted us to grow and we grew. You wanted us to power the world economy and we did.

You wanted us to bring prosperity to our people and we have raised hundreds of millions of people out of poverty in the greatest humanitarian move in all of world history. You wanted us to learn the stuff and not just be a set of (unintelligible) but actually generate some technology, independent stuff so we could be an engine for world growth as well and we did.

Now we're rich and our companies are good and they're actually starting to compete with you guys and while we're not as bad as we used to be, we're not that great. You guys who are all in the midst of your own hypocritical ridiculous political crises full of corruption, full with little democracies being the poster child for dysfunctional government in the world, you guys then happily settle on a new yellow peril enemy in China to basically get some domestic consensus against all the things that basically are failures of your own societies' inability to compete because we're being a part of world governance by joining things like the Paris Climate Accord when you're walking away.

We're taking part in a whole bunch of international institutions like you guys no longer do. Why don't you guys stop talking about all the bad things we do and all the things you're going to do to us which you never actually do and just deal with things the way we used to do? What is different about China now except for the fact that it's gotten strong enough to bother us?

Admiral Schultz: I would just say let's look at sustainment, food sustainment, look at there's a recent report by an NGO and a consultant group of 152 coastal nations China ranked last in terms of legal and regulated reported fishing. You go down and you talk to the Argentinians who are having conflict with Chinese fishing boats, the same challenge over in Ecuador.

You go around the African continent, the largest exporter of seafood is the Chinese, the third largest importer is the Chinese. You say it's the second largest economy but their flag state performance or poor performance is woefully lacking so again it's the rhetoric and the activities it's just a huge delta there.

I would tell you that's – there's a global sustainment food challenge here a little bit and I think we're trying to work as the US Coast Guard on the international stage and say how do you put a narrative around this idea of fishing writ large but then you get hundreds of fishing boats in your tuna fleet and you're not operating your IAS which is your signal or your BMS vessel monitoring system, there's a failure to comply and there's a wilful neglect there. I'd say that's one example.

Josh Rogin: I'm going to try to rebut as many of your Chinese Community Party talking points as I can before the lobsters come out. I think you presented them, they're important to understand. First of all, the history, a shorthand could be and I realize this is complicated but to boil it down that the implicit deal we had when we supported economically, politically and also financially the rise of the Chinese Communist Party led state, the implicit deal was that would lead them to greater liberalization and encourage them, incentivize them to participate in our system based on the rules based order that we set up that is supposed to protect all of our freedom, sovereignty, prosperity and independence

It was the Chinese Communist Party that decided to rather than do that especially since Xi Jinping came to power but to work against that and to use our system against us and actually undermine that system and replace it with a system that's more favourable to their interests. In other words –

Dr. Gideon Rose: I like this royal we by the way.

Josh Rogin: We're a community of experts and officials here who believe in certain things and certain values. If we believe in those values then we believe in the system that's based around those values and they're worth protecting and defending. We have to be honest about the fact that the Chinese Communist Party doesn't share those values and their engagement of us is intended to undermine that system.

It's a systems battle. We can have a historical debate over whether or not it was smart at that time to give them the option. There are plenty of China hands will say it was the responsible thing to do to give them that option to join our system in good faith and they just made a bad decision. There are some who would say we never should have let them into PNTR and funnel trillions of dollars into their economy so they could build the machine they're using to compete against us.

For me that's irrelevant. We are where we are and we have to realize if we want to preserve our system we have to defend it. That takes me to competition. The Chinese –

Dr. Gideon Rose: This is your last point.

Josh Rogin: Okay. Two more points.

(Laughter)

Why can't we just compete? Well because they're not competing fair. Huawei for example is based on decades of gross intellectual property theft, subsidies, intelligence exploitation and manipulation where the smoking gun meets in Addis Ababa at the EU headquarters, what's the risk oh there's back doors everywhere, the British intelligence

backs us up although you may not be choosing to follow their advice. So the competition has to be fair which means again defend the principles of reciprocity and transparency and accountability.

Last point, we raised a trillion people up from poverty. Well that's great but it would be great if the Chinese Communist Party didn't use that to try to reframe our concept of human rights and dignity to justify the interment and torture of 3 million and probably a lot more innocent people. You can't use economic agency as an excuse for mass atrocities. If we don't stand for that we don't stand for anything. I'll stop there.

Dr. Gideon Rose: Emily do you want to chip in on this?

Emily Lau: I think you did a great job presenting the Chinese government's views. Maybe you'll get a first class ticket to Beijing and they get you as their consultant.

I think Joshua I think he's right in saying that the Chinese know the weakness not just of the west, of democracies but of humankind. Greed, money and they hire a lot of your former officials and politicians to be their consultants, to be their lobbyists so they know your game very well. They know your companies, your governments are crazy for money, not everybody but many.

I wouldn't say you would kill for money but you would do many things and the Chinese know it. That is the problem. I have nothing against China joining the WTO and (unintelligible) but then when they didn't follow the rules very few people spoke up. What I think I'm not in favour of penalizing China, sanctioning China. They should be a member of the international community but they should abide by the conduct of behaviour, not of course of the hypocrites but you should expect that and you should expect reciprocity.

They come to Canada Minister. This is an open society. Their students, their academics, their journalists, they can operate freely but your people go there. Can they operate freely? Of course not. Why do you tolerate it? You should be (unintelligible). I give this to you, why don't you give that treatment to my citizens. Why don't you do it? Now you have a chance to speak. You speak for your country, your government.

Why don't you demand reciprocity? Is it because if you do it you will make less money? You will make enemies so your government, your companies will not get as rich. Is that the problem?

(Applause)

The problem is with us.

Dr. Gideon Rose: Emily, I think your (unintelligible) is right. That is a perfect segue. Who would like to speak. Over here, please. Wait for the mic. Stand, state your name and ask a short question.

Question: Good afternoon. Leigh Shepherd from the UK. I'm one of the Peace with Women fellows. It's tremendous to be here. My question is really short, a bit like me. I'm a huge optimist naturally but I do worry that it's already too late for some nations in this debate. What are your views on that and how can you make me feel optimistic and ready for lobster?

Dr. Gideon Rose: By the way the most interesting second domino after Hong Kong would be Taiwan. Anybody want to talk about the continuation of where trends go and what that actually means?

Lady Pauline Neville-Jones: I think it's never too late. If you take the view it's too late then you've given up already before you've begun. It's never too late. Leaving it later and later and later makes it more difficult. There's no question about that. I am less hawkish actually than my neighbour though I may have sounded like a hawk.

I do think there has to be a component of our policy which is an offer of cooperation. If you look at the way we handled the Soviet Union that was exactly what we did. There were two bits to the thing. They could in a sense choose and I think we have to put forward a proposition which also doesn't take them at their word but which does deal with the issue of unfair competition that you pointed out perfectly fair.

But says also we're prepared to cooperate with you on these following things and there's no reason why we shouldn't cooperate on some science and technology issues. Without doing that there's less prosperity around the world. There is a cooperation agenda but we need to decide collectively where we're going to put it. My issue is it's us not them. It's us. Our policies are the problem at the moment and that's why we need to get our act together. I think it's difficult but possible.

Josh Rogin: I just traveled to four different Southeast Asian nations. I got four different reactions. Thailand is hedging. South Korea is seeking more American engagement. Vietnam they don't like the Chinese Communist Party. They're much more willing to be aggressive. The Philippines, whole different story so there's no cookie cutter approach.

That's why some sort of statement of strategy and values and principles would be helpful in coalescing. In the end I think it's not too late because first of all we have to still give the Chinese government the chance to change its behaviour. We have to engage them in that effort. I don't think I'm hawkish.

(Laughter)

I think I'm very (off microphone) and we have to make sure we've tried every possible opportunity to bring them into the fold and to encourage them to do the right thing meanwhile building resilience and plans and defence and offense in the case they don't decide to do the right thing.

(Cross talk)

Emily Lau: I don't think we should despair. The fact that we are having this forum Peter and if there is a consensus that there is a problem, if the Halifax Forum can come up with some proposals and there are people from so many different countries, so many democracies. If they can begin to adopt a strategy I think we can take it forward. Never despair my dear. I come from Hong Kong (laughs) so don't despair, never too late.

Dr. Gideon Rose: Thank you. We're going to do a paired question now, here and here. Please stand up so we can see you.

Question: I'm Lopsang, president of the Tibetan Administration. My question is to bring China to respect the values and principles of the international community, how can we inculcate those values in China? For example 5.2 million Chinese students studied in western universities of which 3.1 million returned to China and they are at the leadership level.

Still the China that we see is contrary to the international values and norms. How can we – if the leadership is not doing it, how can we bring those values inside China if we have not done it with 3.1 million students who have returned?

Question: Hi, I'm (unintelligible) from Tokyo. I have a question about a decoupling of Chinese economy. Less than three years Vice President Pence in a speech said no decoupling. Of course decoupling is very difficult to implement but also without doing anything, nothing to the influence of the Chinese government behaviour, probably (unintelligible) do something but not completely decoupling, maybe smarter way. I'm sure somebody may have a good idea. That's my question.

Dr. Gideon Rose: Those are two really good questions because one of the scariest things for me, you talked about the students and the dimension of reciprocity. You talked about the tech and how we know we can cut off this kind of thing and (off microphone) the intersection of those things in many respects is the educational systems and the scientific collaboration and the patents and the economic cooperation.

If you start decoupling the tech sectors and the educational sectors you have spillover effects with lots of different things. The question of what decoupling actually means if it will come about is a huge issue which people are bandying about.

The question to you guys is, is the road we're starting down on already in terms of the dividing of the systems from whatever we might have thought about the systems converging we're now clearly not converging and going the other direction, where does that lead a few years down the road? What does decoupling look like in practice and if 3.1 million didn't do it how will cutting off the supply of Chinese students help liberalize it down the road?

Emily Lau: I'm not in favour of cutting off supplies, of decoupling. There are members of the international community so we should encourage them to adopt a civilized conduct of behaviour. About the students, I know even in Canada in some of your university campuses there have been very rowdy scenes of students confronting people who say something bad about China and so on. Why should that sort of behaviour be allowed?

In my alma mater, the London School of Economics, recently they decided to stop donations from some Chinese source, millions of pounds of donations because they want to set up some faculty teaching Chinese economics and all that. But under the supervision of a board appointed by them so when my professor Chris Hughes learned about it no way. He said this is an insult to our university.

That was at the very last stage because the university just thought money, money we love it. Come, come we'll surrender our sovereignty to you. I'm sorry, LSE but the professors stopped it. That is the thing my dear friends. We should not allow it to happen whether it's in Canadian or British or American or any country's campuses because that's not the behaviour that we allow and expect.

If they learn it when they go back they will practice it. But what do we do? We tolerate it. We want more students, more money, more donations and we are willing to turn a blind eye to such disgraceful behaviour. Of course they are to blame but what about ourselves?

Dr. Gideon Rose: We're getting a full share of it here. Pauline wanted to jump in.

Lady Pauline Neville-Jones: I just wanted to say I don't think it's all or nothing. We should go on having students. That's pretty clear to me. What we need to decide is we're not going to have Confucius Centres financed by the Chinese government who are going to decide the way in which certain things are taught. That's out. This is the row going on in Australia at the moment.

Secondly we need to be very clear about those things that we're not going to let Chinese students get into and those will be some of the really important technologies. You've got to have a much more detailed – this isn't broad policy. This is fine detailed policy where you're very clear about what's on limits and what's off limits. Probably over time it will change. That's what I'm trying to plead for is we need to go into this thing in great detail about what we have to safeguard and what we can let go.

Dr. Gideon Rose: You already had your questions. Okay, one quick thing.

Josh Rogin: The decoupling is happening not because the American China hawks have decided it's happening. It's happening because the risks and costs of doing business in China are going up due to the Chinese Communist Party and the Chinese government's behaviour. If you look at the MBA the reason they're in the soup they're in is because they didn't realize the risks of doing business in China.

They didn't calculate it. By the time they were in trouble it was too late. The Chinese government punished them economically for free speech and now they're in a lot of trouble so they have to decouple. If you look at Wall Street shoveling trillions of dollars of US investors' money into Chinese companies and then Washington sanctions those companies and then the capital markets fund those companies, it's untenable.

It doesn't make any sense. As the Chinese companies are controlled by the state and do worse behaviour that puts us at risk and forces us to defend ourselves, that's why we're decoupling. It's risky, it's bad, it's not our choice. It's what we must do to defend ourselves.

Lady Pauline Neville-Jones: The next key question will be whether the Chinese actually learn a lesson from that.

Josh Rogin: I don't think so.

Lady Pauline Neville-Jones: Well, we'll see, we'll see.

Dr. Gideon Rose: I've got to do two last questions to bundle and then we're going to go into the final comments.

Emily Lau: There's a lady. I think we should give a question to a lady.

(Laughter)

Question: Decoupling or not, Joseph Joffe, I want to pose the question to you Josh. You seem to know the scene. You made a very good point. He who controls the platform controls the conversation. Now can you tell me where is Cisco? Where is Deutsche Telekom? Where is Vodafone? Where is France Telecom? We can't build 5G or 6G? It's not a decoupling issue. It's why are we staring at Huawei like a rabbit at a snake? What's wrong with our wonderful, wonderful high tech companies?

Dr. Gideon Rose: Hold on a second. Before you answer that we have one last question over here.

Question: Michael Balsikiy I'm from beautiful British Columbia. We have the honour of hosting Meng Wanzhou who is under house arrest in our province. My question is kind of related. In regards to Huawei and 5G it seems a lot of the countries who are members of the Five Eyes are splintered or splitting in opinion on whether to allow 5G in. I thin even the UK has questions about this. Maybe for Lady Neville-Jones, do you think that this debate over allowing Huawei to participate in 5G in the Five Eyes countries is creating a dangerous potential threat or splinter?

Dr. Gideon Rose: We'll do this and we'll wrap this up with your final comments such as they are. We'll go any question you want and any final comments. Did anybody want to answer the questions and begin their final – Josh this is your answer to the questions and final wrap.

Josh Rogin: Okay. In a minute, got it. I'll go really fast. There is no good alternative for Huawei and it's not Huawei it's the basked of incentives of diplomatic economic political and corrupt packages that the Chinese government gives you when they sell you the Huawei infrastructure at 70% off market price.

We haven't figured out how to counter that. It's true there are no American companies that produce it but there are European companies and South Korean companies. There's a way out of this to create a package that these countries might take if we would come together and figure it out for them but we've failed to do that. We've failed to give countries a viable alternative.

That leads me to the broader point which you raised which is we go around to these countries and we're at the stage of admiring the problem. Oh yeah, you shouldn't do Huawei. There's going to be penalties for you. We have a finger to wag at you if you stock your country with Huawei stuff not to mention RO (ph) US is lousy with Huawei equipment but that's a separate issue.

It's all negative. Where's the positive engagement? Where is the part of it that says no, we're not forcing you to choose between the US and China. We don't want to put any countries to that choice. What we want to do is we want to give you a fair choice where you can choose a system based on our values of openness, transparency, data privacy, accountability, good governance, rule of law. That's actually better. In a race to the top we win. But if it's a race to the bottom we'll surely lose.

Dr. Gideon Rose: I'm glad those are our values. I was unsure for a bit. Pauline.

Lady Pauline Neville-Jones: The gentleman asked a question about how we deal with the circular rights agenda. There aren't any perfect answers but one of them is that we have to live it ourselves which I don't think we're doing very effectively at the moment. We certainly don't have a set of ideas about what we should try to present to the Chinese as the kind of values we want to defend.

On Huawei, there is a disagreement and it's composed of the intellectual and political disagreement is whether it is possible safely to have Huawei anywhere in your system. The UK maintains and this is the intelligence services themselves that it is perfectly possible to segregate those areas where you don't let Huawei in but it doesn't follow that you cannot let Huawei into any part of your 5G system.

It's a numbers bit. The other factor is that Huawei is already in our system. If we had to under pressure in order to maintain intelligence cooperation and I don't know whether intelligence cooperation would stand this kind of pressure but in order to maintain it if we had to strip out all the Huawei elements that we have already in the system and we're not permitted to use Huawei anywhere else, we have a setback of about ten years and extreme increase in costs.

It's a very big issue. We won't be the only Europeans in that position. Our problem is there's Nokia and Eriksson and neither of them are anything like as advanced and they're certainly not as cheap. There's a cost element in all of that. That is my point when I said the US needs to decide. Does it want to beat its allies over the head or does it want to share? It's a choice if you want to keep the alliance together.

The US does have to do it and leading by knocking people on the head for bad behaviour won't get us anywhere I have to say. Sorry about the passion but these negative signals are really bad for alliance cooperation to come back to what I was saying, it is about us deciding what we're going to do together. We have to talk to each other and go into great detail.

Dr. Gideon Rose: Thank you very much Pauline. Admiral Schultz, do you favour beating our allies on the head?

Admiral Schultz: It depends on the day. This state enterprise owned thing is rampant and I think until you figure out a way to deal with it and one mechanism I think is multilateral voice. The fishing industry is backed by the state owned enterprise. How do you compete there? You look at the non-Arctic state Secretary Pompeo called them out at the ministerial here, the Arctic ministerial and people have to recognize that China will have more Arctic shipbuilding capacity than the United States.

They launched a second ship last year. The Belt and Road initiative, the maritime Silk Road initiative, now the Polar Silk Road initiative, you've got to call it out for what it is. We've seen the Sri Lankan example.

Lady Pauline Neville-Jones: We should stop it or we should try and compete?

Admiral Schultz: I think we have to be cognizant and call it out for what it is. I think that's part of it.

Lady Pauline Neville-Jones: What is it?

Admiral Schultz: We have to multilaterally get after it and say where are we going to find common ground and compete on a more global level.

Lady Pauline Neville-Jones: They should be permitted to – you can't stop them building ships to go through the Northeast Passage.

Admiral Schultz: When you look at the ports Lady Neville-Jones, they're dual purpose ports. There's an economic piece and a military piece. We should have a conversation about what that is. I think the Sri Lankans might not have signed a 99 year deal if they had some other folks to help. You look at Papua New Guinea, you look at 70 ports around the world. You look at the Bahamas where Dorian just hit and they were talking about a deep water port on the north side of (unintelligible) Island. There's no strategic use for that port now.

Dr. Gideon Rose: Emily, do you want to have any final brief final comment?

Emily Lau: I think again it's about money.

(Laughter)

Huawei is much cheaper. That's why many countries want to have it. You talk about Nokia, Eriksson and I'm sure from your countries here, it's much more expensive. So what do you do to your people? They cannot have access to good communication unless they pay a lot. Maybe America can help. I'm sure there are Americans here. They can take the message back to your country.

If you refuse to cooperate, to help then there are many countries – I want to use Nokia but I don't have the money, what do I do? Huawei? (Laughs) So I think the problem is not as complicated. Again Peter, we flush out the problems here. It's for you, for the Halifax Forum to find a solution and to convince your allies and friends to see if we can do something about it. Otherwise it takes a year when you come back. The problem will be a lot worse. It's not going to go away.

Dr. Gideon Rose: That's why we have Halifax. On that note let me just say what Churchill said about the west's relationship with Xi Jinping is also true about Halifax 2019. This is not the end, it is not the beginning of the end. But ladies and gentlemen this is the end of the beginning. We look forward not just to discussing the future of the US and western relationship with China and all its various equities over dinner and the rest of the weekend and future years but we invite all of you to have a wonderful Halifax future. This panel is officially over. Thank all of our guests and thank all of you.

(Applause)

