The United States and China—The Avoidable War

ASPI President Kevin Rudd's address at the Conference on the New China Challenge at the United States Naval Academy

Kevin Rudd

The following is a transcript of an address given on October 10, 2018 by ASPI President Kevin Rudd, the 26th Prime Minister of Australia, to the Conference on the New China Challenge at the United States Naval Academy in Annapolis, Maryland.

Six months ago it was my privilege to address cadets at the United States Military Academy at West Point. Six months later, it is my privilege to address this conference, jointly hosted by the U.S. Naval Institute and U.S. Naval Academy at Annapolis. The subject is similar-understanding the rise of China, how China's sees its future in the region and beyond, and what that means for the United States and its friends and allies around the world.

I must confess that during my stay at West Point, when the discussion there focused on how to deal with future adversaries, I was perplexed to see the military academy bedecked with banners urging America's future army officer class not to "beat China", but to "Beat Navy"—who West Pointers assured me were in fact the real enemy. Indeed the fine house we were accommodated in on the base at West Point was itself called "Beat Navy." But now I see the same spirit here in Annapolis where midshipmen are also enjoined to "Beat Army." It's good to see we are all on the same side. May the best team win when next you meet on the field of battle on December 8, where I understand Navy may have a score or two to settle after your most recent encounters.

This is my first time to the U.S. Naval Academy in Annapolis, although several years ago I addressed the U.S. Naval War College at Rhode Island. I understand that the U.S. Naval Academy was established in 1845 by then Navy Secretary George Bancroft who apparently recommended "the healthy and secluded" location of Annapolis in order to rescue midshipmen from "the temptations and distractions that necessarily connect with a large and populous city."

I'm not sure how that has worked for U.S. naval recruits, but if we had tried that routine on the Royal Australian Navy, it would have been mutiny. In fact, when I sought to move Australian Fleet Base East from Sydney to Townsville in northern Australia, there was mutiny. Sydney certainly has powerful temptations and distractions. The result-the move never went ahead.

Australia has enjoyed a century-long alliance with the United States since we first went into combat together in the Battle of Hamel on the Western Front on Independence Day, July 4, 1918-indeed the first military action against Germany by U.S. forces under allied command in the First World War.

It was also from Hampton Heads, at the mouth of this very same Chesapeake Bay, that Teddy Roosevelt's Great White Fleet embarked on its global demonstration of American naval power in 1907. America had read his Mahan. And so too now has China. The fleet visited Sydney and Melbourne in 1908. In fact as prime minister I had contemporary photographs of the USS Connecticut in Sydney Harbor that year placed on the walls of my prime ministerial office in Canberra. In Australia, to the disquiet of the admiralty in London back then, the spectacle of the. Great White Fleet lent political impetus to the establishment of the Royal Australian Navy in 1913, which the then Australian Labor prime minster Andrew Fisher determined would be an independent navy, and not subsumed as part of the British Far East Squadron. A century later, I sought modestly to return the favor by sending a naval squadron here to the East Coast of the U.S. to celebrate the centenary of the Great White Fleet's visit to our shores.

Our naval forces have fought together in major engagements against Japan in the Second Word War which saw many ships lost and thousands of seamen killed who paid the ultimate price in the name of our shared freedom. Our navies have also engaged in combined operations in multiple war zones since including Korea, Vietnam, and the Gulf.

As prime minister, through the Australian Defense White Paper of 2009, I was proud to commission the largest peace-time expansion of the Australian Navy in history-confirming the acquisition of two helicopter carriers, enhancing their capability to take fixed wing aircraft in the future should that become necessary, the increase of our surface fleet by a third and the doubling of the submarine fleet. These ships and boats have now either been completed or their construction is now in process. That naval expansion had a strategic purpose in mind-namely the change in the economic and military balance of power between China and the United States. Ten years ago, the Australian Defense White Paper, after multiple meetings of the National Security Committee of the Cabinet which I chaired, concluded:

"Barring major setbacks, China by 2030 will become a major driver of economic activity both in the region and globally, and will have strategic influence beyond East Asia...

"The crucial relationship in the region, but also globally, will be that between the United States and China. The management of the relationship between Washington and Beijing will be of paramount importance for strategic stability in the Asia-Pacific region...

"China will also be the strongest Asian military power, by a considerable margin. Its military modernization will be increasingly characterized by the development of power projection capabilities...But the pace, scope and structure of China's military modernization have the potential to give its neighbors cause for concern if not carefully explained, and if China does not reach out to others to build confidence regarding its military plans...

"If it does not, there is likely to be a question in the minds of regional states about the long-term strategic purpose of its force development plans, particularly as its military modernization appears potentially to be beyond the scope of what would be required for a conflict over Taiwan."

This was several years before there was any evidence of Chinese land reclamation in the South China Sea. Indeed when we briefed the Japanese Government back then before public release, Tokyo was horrified that we could be so direct. When we briefed the Chinese government, they too were horrified (as recorded by the Australian media at the time) and asked that the offending paragraphs be removed. We declined.

For your allies, therefore, dealing with the complexities of the changing East Asian security environment over the years has had its own challenges, most of them invisible to the Washington policy establishment. In the midst of all this, we sought to prosecute a balanced relationship with Beijing: deeply mindful of our differences in our security interests and underlying values, while prosecuting an economic relationship to our mutual advantage. At various times my government incurred Beijing's wrath on human rights (whether it be on Tibet, Xinjiang, or Australian-Chinese citizens); on trade when we refused to allow Huawei access to the Australian telecom and broadband network; or in rejecting certain strategic foreign investment proposals such as when the Chinese SOE Chinalco sought to take over the Australian mining giant Rio Tinto. Meanwhile, we expanded our security dialogue with Beijing, our trade volumes doubled, we approved the vast bulk of Chinese foreign investment proposals in non-sensitive areas of the economy, we ended up with more Chinese students in Australian universities than in any other country in the world after the U.S., and we worked intimately with Beijing through the G20 during the Global Financial Crisis to help stabilize financial markets and return growth to the global economy.

I make these remarks at the outset today to underline the fact that some of us have been dealing with the challenges of China's rise while in office over many years-while others have been content to offer their critique from the safe confines and comfortable armchairs of the fourth estate, the academy, and think tanks. There is nothing quite like dealing with the Chinese state first hand to focus the mind on what is strategically important-and what is mere political ephemera.

Against that background, and mindful of the topic I have been set, my purpose today is to reflect on the following:

- First, how does China under Xi Jinping see its own future?
- Second, how is Xi's strategy going so far?
- Third, within the framework of a profound change in U.S. strategy, I want to pose a number of questions for U.S. and other policy makers to consider in the prosecution of this new strategy into the future.
- Finally, I will offer some remarks about the tone, tenor, and conduct of the new "great China debate" now underway in this country and other democracies around the world.

The Rise of China

One month from tomorrow, we will commemorate the 100th anniversary of "the war to end all wars" in November 1918 between the great powers of the twentieth century. Except it didn't end all wars. The rest is history. And the geo-political map of the world has been re-drawn three times since then.

I believe that when we look back at 2018, history will mark this year as a profound turning point in the relations between the two great powers of the 21st century-the United States and China. Although none of us can confidently predict what the long-term geo-political trajectory will be.

To be clear, China's rise as global power did not begin in 2018. That began 40 years before. And has continued under multiple Chinese administrations, albeit under single party rule and a continuing strategic culture, focused on China's acquisition of national wealth and power. But while Chinese aggregate national power (what China internally refers to as 'comprehensive national power') has increased steadily under Deng, Jiang, and Hu, what has changed under Xi Jinping has been the clarity of articulation of China's strategic intentions, reflected also in the increased operational tempo of China's policy actions around the world-militarily, diplomatically, and in its global economic reach. If the three pillars of strategic analysis are capabilities, intentions and actions, it is clear from all three that China is no longer a status-quo power.

It's important, however, to be clear about where this increased national wealth and power fits within the wider worldview of Xi Jinping and his own particular set of national priorities. Here my views have altered little since my remarks at West Point in March this year, in which I argued that Xi Jinping's approach can be best understood as a set of seven concentric circles of national interests:

- The centrality of the party, keeping the party in power for the long term, as well as Xi's power within the party;
- Consolidating the internal unity of the country;
- Maintaining sustainable economic growth to ensure a continued increase in Chinese living standards, breaking though the "middle-income trap," while balancing now against a parallel requirement for environmental protection now demanded by China's urban elites;
- Keeping China's 14 bordering countries in a benign, and preferably supine state;
- On China's maritime periphery, projecting its regional naval and air power, politically fracturing U.S. alliances in Asia, and ultimately removing the United States from the immediate region militarily;
- Leveraging its economic power across China's vast continental periphery, causing Eurasia, and in time the Middle East and Africa to become accommodating to China's economic, foreign policy, and security interests; and
- Reforming parts, but by no means all, of the post-war international rules-based order over time to better suit its interests, and to better reflect China's domestic values rather than those of the post-war consensus.

Of course, a strategic road map of where China would like to be is a little different to where China is likely to land in each of these. China's leadership faces a complex brew of domestic and international challenges that would cause most of us to go grey prematurely. But that does not mean that China will not necessarily prevail. It may well do so. Let's take each of these in turn:

On internal politics, while Xi Jinping has consolidated power by purging those who opposed his appointment, the ruthless use of the anti-corruption campaign to that end (as well as cleaning up the party) and multiple changes to the command structures of the military, security and intelligence apparatus, there is nonetheless grumbling in party ranks about the cult of personality, the abolition of presidential term limits and China's strategic over-reach in relation to the United States. Still it's impossible to readily identify either a replacement leader, or even a successor. It's prudent for policy planners therefore to assume that Xi will be with us for another decade, health permitting.

On national unity, the crackdown in Xinjiang is beginning to generate a new human rights agenda focused against Beijing-this time not just from the West, but from parts of the Muslim world as well. Taiwan represents an even greater problem given the resilience of its democracy and its growing sense of local national identity separate from the mainland, reinforced by total generational change for whom pre-1949 realities mean little. Tibet also remains problematic.

As for the economy, real growth has been slowing since early this year as a product of a slow-down in further market-based economic reforms, a "from-the-top" de-leveraging campaign to reduce the indebtedness of second-tier banks and financial institutions, combined with the impact on business confidence of the trade war with the United States. This has resulted in a rapid fiscal and monetary policy easing by the Chinese authorities, with the effect of slowing actions to deal with China's 266% of GDP debt overhang. And that's before you factor in the Chinese public's demand for the party to act rapidly and radically on air pollution and climate change. In short, the economy could well turn into a liability, rather than the strength it has been in enhancing party legitimacy for the last 40 years.

China's neighboring state relationships, from Beijing's perspective, are nonetheless in a reasonable state of repair. The relationship with Russia is being strengthened given their growing community of strategic interests against the United States. Beijing, given its new-found difficulties with America, is also taking the temperature down in its normally problematic relations with both Tokyo and Delhi, where both Japan and India have been happy to oblige, at least for the foreseeable future, for their own domestic needs, but also because they are uncertain where the United States is headed in the long term. For China, Vietnam is now less problematic than it was given leadership changes in Hanoi and because there is now less solidarity from the rest of ASEAN than before on the South China Sea. The Philippines, despite Duterte's unpredictable behavior, is seen by Beijing as a net gain. While Burma, seen several years ago as a loss with the election of Aung San Suu Kyi, has now improved remarkably for China with a resuscitation of ties between the PLA and the Burmese military. Furthermore, the rapprochement now between the U.S. and North Korea, and the much deeper one between North and South, has removed long-standing impediments to the structural improvement of China-North Korea relations which had been in the ice box since 2011.

On China's maritime periphery, China now faces more assertive American behavior in challenging China's maritime territorial claims in the South China Sea. But across wider South East Asia, China sees a region gradually drifting in its direction. Whereas not long ago Cambodia was seen as China's only reliable partner in ASEAN, that is no longer the case. ASEAN is in strategic hedging mode, in part because of the enormity of the Chinese economic footprint over the region relative to the U.S., Europe, or even intra-ASEAN trade, reinforced by the investment dynamics of China's Maritime Silk Road. The election of Mahathir in Malaysia, however, represents a fresh problem, where major Chinese infrastructure construction contracts with the Malaysian government have been suspended. But based on China's experience elsewhere, this is likely to be seen as tactical rather than strategic setback. The central strategic factor working in China's favor in the "New Great Game" that is South East Asia is the absence of an American or European alternative to Chinese markets, FDI, and, over time, capital flows. China's objectives in this respect were enhanced when the United States decided to withdraw from the TPP. This has de-coupled the United States from much of the future trade growth of Asia, thereby delivering a further win for Beijing.

China's continental periphery has not been plain sailing. Nonetheless, for every country where there is some push-back against China's "Belt and Road" Initiative, there is another queuing up. Where resistance is encountered, either on debt, labor standards, environmental standards, or loss of local sovereignty, many in Washington seem to think that is the end of the matter. However China usually changes tactics to deal with the particular problem it has encountered and works it through to a new pragmatic outcome, as we have seen in countries as diverse as Pakistan, Sri Lanka and Zambia. With more than 70 countries signed up to the BRI, again the strategic factor working for China is the absence of an American alternative. China's biggest impediment in fully delivering on its BRI vision is less likely to be foreign resistance, but rather the long-term drain on the financial resources of the Chinese state from investments in too many financially non-performing projects.

Finally, on the future of the global rules-based order, and the critical international institutions that give effect to it, China would be reasonably content with its progress. The U.S. withdrawal from the UN Human Rights Commission is a godsend for Beijing, which has long found this to be the single-most problematic multilateral institution because of its capacity, through its country reports, to attack the domestic legitimacy of the Chinese state. Similarly, the U.S. attack on the WTO has enhanced China's standing in that institution despite China's general reluctance to embrace fundamental global trade liberalization that would fully open its own markets. The U.S. attacks on the UN itself has similarly enabled China to look like a responsible global stakeholder in the UN multilateral system, enhanced by China's increasing aid budgets, greater contribution to UN peace-keeping and the greater number of appointments of Chinese personnel across UN agencies.

China's main problem in the UN Security Council is its close voting relationship with Russia on resolutions that are sensitive to non-Western states, like on Syria, where its voting behavior alienates the European Union and the Gulf states. Nonetheless, China's global economic diplomacy across Africa, Asia, Latin America, and the island states of the world, though its formidable and still-growing global diplomatic network, means that China is able to marshal formidable political support for its position in multiple UN fora. Whether this sort of support for China's tactical interests on the issues of the day will translate ultimately into more fundamental structural support for a formal rewrite of the rules and practices of the current international system is a much more open question. China's historical diplomacy has usually been more gradualist than that-to bring about de-facto changes over time, rather than necessarily proclaim a de-jure "reform." Time will tell as China's national self-confidence rises and its global influence grows.

Therefore, from Beijing's perspective, the country, the region, and the world represents a complex picture. What is clear, however, is that China under Xi Jinping has a worldview. It also has a grand strategy to give effect to that worldview. And it would be prudent for the rest of us to assume that absent major and enduring policy change, either in Beijing or Washington, that China has at least some chance of success. It's one of the reasons I have consistently argued against the proposition that the Chinese Communist system will simply one day collapse under the weight of its own internal contradictions. Xi Jinping and his comrades are determined to defeat a liberal-capitalist "end of history" with a different political, economic and perhaps international model. Aided by the new technologies of political and social control, grafting these onto the traditions, culture and ideology of a 100-year-old Communist Party and combining them with a successful authoritarian-capitalist model so-far, Xi has some prospects of success. And it will take more than a speech at the Hudson Institute to turn all that on its head.

The End of Strategic Engagement-Enter the New Era of Strategic Competition

If China's operational strategy towards the United States has been largely constant over the last 40 years, albeit with a newly-defined declaratory clarity as well as operational intensity under Xi Jinping, what now seems to have changed fundamentally is the U.S. response to this Chinese strategy? We see this clearly articulated in the December 2017 National Security Strategy of the United States. We see it stated plainly in the U.S. National Defense Strategy of January 2018. We see it in the launching of the trade war in June 2018 and its intensification during the summer. We see it in the release of DOD's report in September 2018 of the future needs of U.S. defense manufacturing, industry, and technology. And we have seen in October 2018 with Vice President Pence's address to the Hudson Institute.

If we were to distil the essence of these various statements of changing U.S. declaratory intent, it seems to boil down to the following:

- That the period of "strategic engagement" between China and the United States in the post-1978 period failed to produce sufficient domestic market opening in the Chinese economy for American firms for export and investment; that China, rather than becoming a "responsible stakeholder" in the global rules-based order, is instead now constructing an alternative order with "Chinese characteristics"; and that China rather than becoming more democratic in its domestic politics has now decided to double down as a Leninist state;
- Second, in addition to the above, that China now intends to push the United States out of East Asia and the Western Pacific, and in time surpass the U.S. as the dominant global economic power;
- Third, that China seeks to achieve its national and international dominance over the United States through the hollowing out of U.S. domestic manufacturing and technology through China's state-directed industry, export and foreign investment strategies; through a range of economic incentives and financial inducements to American partners, friends and allies around the world; as well as the rapid expansion of China's military and naval presence from the East China Sea, the South China Sea, across the littoral states of the Indian Ocean and Djibouti in the Red Sea;

- Fourth, that these factors combined, together with Russia, represent "the" central strategic challenge to American security and prosperity for the future, therefore warranting an urgent change in American strategic course, from strategic engagement with China to a new period formally characterized as "strategic competition";
- Fifth, that this new American analysis of China's national capabilities, intentions and actions will now be translated into a new multi-dimensional, operational strategy aimed at rolling back Chinese diplomatic, military, economic, aid and ideological advances abroad.

If this new direction in U.S. declaratory strategy towards China is reflected in future U.S. operational policy, 2018 will indeed represent a fundamental disjuncture in the U.S.-China relationship.

Considerations for the Future of U.S. Strategy

In this address I have not been asked to reflect on the wisdom or otherwise of the new direction of U.S. strategy towards China. And I don't intend to. Ultimately that is a matter for the United States. I am not an American citizen. Although all your allies in Asia will be profoundly affected by the decisions you and your Chinese counterparts take in the months and years ahead. There are, however, a number of factors that the Administration will in all probability be considering as it contemplates the operationalization of its new strategy of strategic competition with Beijing. And your friends and allies around the world will be considering them as well.

First, what is the desired end-point of U.S. strategy? What does Washington do if China does not acquiesce to American demands as outlined in the Vice President's speech, but instead explicitly rejects them? If strategy, a term derived from the Greek term for generalship, is defined as "a plan of action designed to achieve a long-term, desired objective," then what happens if it not only fails to produce the desired objective, but instead produces the reverse, namely an increasingly mercantilist, nationalist, and combative China. There are two broad possibilities here: either China will concede to the changes the U.S. wants, or else it doubles down. Although there are of course many shades of grey in between. Presumably the United States has war-gamed the diplomatic, economic, and military scenarios that can proceed from escalation, crisis management, and ultimately conflict, and is prepared for each of these contingencies. Your allies would need to think these through as well.

Second, if we are now in a period of strategic competition, what are the new "rules of the game"? How is a common understanding to be reached with Beijing as to what these new rules might be? Or are there now to be no rules, other than those that will now be fashioned over time by the dynamics of this new competitive process? The reality is that after 40 years of bilateral strategic engagement, the culture, habits, norms and, in some cases, rules that have evolved to govern the parameters of the bilateral relationship have become second-nature to several generations of political, diplomatic, military, and business practitioners. If we are indeed now in a brave new world, what rules will govern the avoidance of incidents at sea (such as recently occurred with the USS Decatur; incidents in the air; cyber-attacks; nuclear proliferation; strategic competition in third countries; the purchase and sale of U.S. Treasury Notes; the future of the exchange rate and other major policy domains? Or has the U.S. concluded that China is already in such fundamental violation of pre-existing bilateral norms that there is nothing to be lost by moving into a strategic "terra-nova" where there are no longer any norms governing the relationship. This is an important question to settle in the Administration's mind.

Third, and closely related to these first two factors, is whether or not any common strategic narrative between China and the United States is now possible to set the conceptual parameters for the future of the bilateral relationship. Strategic engagement as a concept implied a set of mutual obligations which the United States now argues China has fundamentally breached. But in the absence of new rules to govern the parameters and content of the relationship, or a common conceptual framework, how can we readily arrest any rapid slide between strategic competition (having, it seems, already skipped through a short-lived concept of strategic co-existence), to de-coupling, to containment, to confrontation, to conflict and even war? If history is any guide, these changes can unfold more rapidly than many post-modern politicians might expect. The escalation from a single incident during the summer of 1914 is a sobering point, while readily conceding that the age of nuclear weapons has deeply changed the traditional strategic calculus since then.

Fourth, if some U.S. strategic planners are indeed considering the possible evolution of strategic competition with China into full-blooded containment, comprehensive economic de-coupling and even a second Cold War, then this would require a deep analysis of the underlying logic of Keenan's famous "Long Telegram" of 1946 and his subsequent "X" article on "The Sources of Soviet Conduct" published the following year. Kennan argued that if properly "contained", the Soviet Union would ultimately be likely to break up under the weight of its internal pressures. It would, however, be a heroic assumption to assume that the Chinese system would ultimately collapse under the weight of its internal contradictions should a similar policy be applied. It may. But it probably won't, given the resilience of the Chinese domestic economy, its capacity to secure its energy needs from other U.S. adversaries, and the fresh potentialities offered by the various new technologies of political and social control now available to Beijing. On this point, it's worth noting that as of September 28, 2018, the PRC finally surpassed the Soviet Union as the longest surviving communist state in history. Its many vulnerabilities may be apparent. But the prospect of systematic collapse appears remote and is certainly not a bankable proposition.

Fifth, is the United States convinced that the emerging Chinese model of authoritarian capitalism of itself represents a potent ideational challenge to democratic capitalism, whether it be of the conservative, liberal, or social democratic variant? The Soviet Union constructed client regimes around the world of a similar ideological nature to its own. Is there evidence that China is doing the same in third countries? Or is China more interested in a more limited version of supportive state relations, without any appeal to ideology, without armed intervention, but rather relying on extensive, continuing, and significant infrastructure investment and direct financial aid?

Sixth, will the United States be prepared to make a strategic counter-offer to the world to the financial commitment reflected in China's combined multi-trillion dollar programs we see in the Belt and Road Initiative, concessional loans and bilateral aid flows? Or will the U.S. continue to slash its own aid budgets and reduce the size of its foreign service? U.S. support last week for a new capital injection into the World Bank is a welcome development. But this amount pales into insignificance compared with the sheer dimensions of the BRI. Indeed, in the absence of this capital injection, the World Bank's global balance sheet would in time even be eclipsed by the lending capacity of the China-based Asian Infrastructure Investment Bank.

Seventh, beyond concessional finance and grant aid, there is the broader question of how the U.S. will compete over time with the magnitude of China's trade and investment volumes in both Asia and Europe. How will the cancellation of the TPP with Asia and TTIP, its counterpart with Europe, affect the relative significance of the United States and China as a trade and investment partner with these regions, where China is already a bigger economic partner with most of these countries than the U.S.? In which case how will the U.S. resist the effect of the centrifugal force of the Chinese economy in drawing these regions increasingly into China's economic, and in time political orbit?

Eighth, for these and other reasons, how confident is the United States that its friends and allies around the world will fully embrace its new strategy of strategic competition with China? After President Trump's sustained public attacks on major U.S. allies Germany, the United Kingdom, Canada, and NATO in general, together with his imposition of import tariffs on Japan and India, is the U.S. confident that these countries will embrace this new strategy against China? Or will these countries continue to hedge their strategic bets in their relations with Washington and Beijing, waiting until it becomes clearer whether this strategic shift in U.S. policy towards China is permanent, whether it be translated into real policy and whether it will succeed? Then there is the question of other regions of the world. As noted above, Southeast Asia is now home to the new "Great Game" for strategic influence between China and the United States. As well as the Middle East, where China is now a bigger market for gulf oil and gas than the U.S.

Ninth, there is the related question of what constitutes the new American ideational appeal to the rest of the world to support this new U.S. strategy, as an alternative to a China-dominated region and world? The address by Vice President Pence last week was consciously and eloquently couched in terms of American interests and values. But it made no appeal to the international community's common interests and values, which historically they have shared with America, and which have been historically articulated though the American-led global rules-based order crafted after the last world war. Instead the world has seen the Administration walk away from a number of critical elements of the order constructed by its predecessors over seven decades (human rights, the multilateral trade regime, climate change, the International Criminal Court, UN multilateral aid agencies) all under the rubric of a nationalist call to arms under the rubric of "America First."

Finally, there is the more immediate question of the impact of a major cleavage in U.S.-China relations on the global economy and climate change action. If U.S.-China trade collapses or even reduces significantly as a result of any radical approach to a decoupling of the two economies, given the importance of global supply chains, what will be the impact on U.S. growth in 2019 and beyond, global growth, and what are the prospects of it triggering a global recession. Similarly, in the light of the just-released October 2018 report on global climate change by the IPCC pointing to potential planetary disaster because of inadequate action by the world's major emitters, what will happen if China reverts to its own more limited national measures at carbon mitigation? Particularly if the current global climate change regime becomes a major casualty of the implosion in the U.S.-China relationship.

These are 10 significant questions which U.S. and other policy makers would now be considering as they seek to put flesh on the bones of the Administration's new era of strategic competition with China. In embracing such a new approach, the United States should do so with its eyes wide open. Because the truth is we are now navigating relatively uncharted waters. Also because we do not want to see the triggering of unintended consequences, least of all unanticipated crises and conflict by accident. One hundred years on, the warnings of 1914 still ring loudly in all our ears.

Let me clear. There is no way it is in China's remotest interests today to want either an economic war or physical confrontation with the United States. That's because China knows it would in all probability lose both. China knows that it is still the weaker power. Nonetheless, history teaches us that nationalism can be a potent force often defying classical strategic logic, either from China's "Seven Military Classics" which collectively urge caution, or even Mahan, or Von Clausewitz.

Let me be equally clear that the questions I have posed today do not imply blame of the United States for the current state of the U.S.-China relationship. Indeed I spoke on this a month ago in an address in Silicon Valley (the new coal face of the unfolding technology war between Washington and Beijing), where I said that it was not helpful to apportion blame for the simple reason that the reasons for the changing nature of the relationship are largely structural: first, because China has now assumed such a global and regional critical mass in terms of its economic and military capacity that a rewrite of the U.S.-China relationship has become something of a structural inevitability. And second, that's before we add the radically different ideational traditions and future aspirations of what are now the two largest economies and militaries in the world.

Let me be clear too that China's global and regional policy has also significantly changed over the last decade. As noted above, China has long-since ceased to be a status-quo power. Be it in the South China Sea, South East Asia, Eurasia, Africa, Latin America or the current structure of the international order. China indeed has been the dynamic factor. Whereas until relatively recently, the United States has been the constant factor. The central questions at stake today are to rationally determine what China's trajectory is, what are America's new objectives for its China policy, and what should be the content of America's future strategic response? In this context, playing the political blame game is not entirely helpful.

The Avoidable War?

Most of us gathered at this conference, who take the U.S.-China relationship seriously, struggle with the intellectual and policy complexity of the subject before us. It is not easy. It is hard. But the purpose of concerted intellectual effort is to produce the greatest clarity possible for policy development.

I fully recognize that in the charged political atmosphere in which we find ourselves, both in the United States and in China, it is also a difficult environment in which to work. The protagonists of one view are variously described, usually under the breath, as either China appeasers or, less politely, panda huggers. Protagonists of a different view are described as war-mongers. We need to be wary of the re-emergence of a new McCarthyism, or the reconstitution of any new "Committee on the Present Danger," where any of us seeking to explain the complexity of China's rise are pronounced guilty of un-American activities (or in my case, un-Australian activities) if we offer a complex response to what is otherwise rendered as a simple question-namely, "What to do about China's rise?" As I said before, this is a hard question. Not an easy one. And it does not easily lend itself to simplistic responses.

The bottom line is that there is now a contracting space, both in America and Australia, for open, considered public debate and discussion on the China question. Increasingly, I find both in Washington and Beijing, the once unstated, but now increasingly stated question of "whose side are you actually on?"

Of course it's easy politics to simply join the cheer squad. It's much harder to think our way through as to what might constitute sound, enduring public policy, capable of realizing agreed objectives to preserve freedom, prosperity, and sustainability in the long-term, while not producing unintended consequences on the way through. Least of all, crisis, conflict, or war.

I have never pretended to be a bridge between China and the United States. That sort of approach is foolhardy. The most I've sought to do is to interpret one side's political values and strategic interests to the other, as accurately as I know how. In doing so I have also sought to identify where intersecting sets of common interests and values may lie, if in fact we can still find them. But what to do about it is ultimately a matter for the parties, not for intermediaries.

There is a further problem with anyone attempting to be a bridge in this relationship. Namely that both China and the United States are both old enough, experienced enough, indeed battle-scared enough, to ultimately sort this out between themselves. And bridges have a history of collapsing underneath the weight of excessive expectations on the part of both parties. Or when the pillars supporting the weight of the bridge begin to shift.

At this time, in the context of the great national China debate which is now unfolding, I am, however, always reminded of the sage advice of Henry Kissinger. When we established my policy institute, and Dr. Kissinger became inaugural chair of its International Advisory Board, we asked him what our mission should be.

In a classically Kissingerian haiku, Henry responded that we should seek to identify three things about the world today:

- First, what is really happening?
- Second, why is it happening?
- Third, and most importantly, what are we not seeing?

If asked at this stage of the debate what side I am on, my response would be: I'm on the side of "the avoidable war." I'm on the side of avoiding "the unnecessary war." I'm on the side of "isn't there a third way, beyond the demands of either capitulation or confrontation, to help navigate our way through the Thucydidean dilemma that we now confront?"

And in pursuit of that objective, I believe we in the policy community and the academy have a particular responsibility, at this critical stage of the process, to shed as much light as possible on what we are seeing, rather than simply applying additional heat. There is already way too much heat. And shining light also requires us to understand reality as perceived through the eyes of others, even if we chose then to reject it.

At times like these, jingoism is easy, whether in Beijing or Washington. By contrast, solid strategy and good policy are hard. I look forward to the contributions of others at this conference, those of good heart and strong mind, seeking to find a way through this most classical of modern security dilemmas.