

A photograph of Donald Trump wearing a red 'KEEP AMERICA GREAT' cap and a dark suit with a red tie, standing in the center of a large crowd of Naval Academy cadets. The cadets are wearing dark uniforms and white officer-style hats with gold anchors. Trump has his right fist raised and is speaking. The background is filled with many other cadets, some looking towards the camera and others looking away.

7. The Avoidable War

John F. Kennedy Jr. School Forum
Harvard Kennedy School, Institute of Politics
Cambridge, Massachusetts
December 5, 2019

Interview with Graham T. Allison, Douglas Dillon Professor of Government at Harvard Kennedy School and the author of *Destined for War: Can America and China Escape Thucydides's Trap?*; and Jane Perlez, former China correspondent for the *New York Times*.

Edited and abridged for brevity.

GRAHAM ALLISON: What we want to do tonight is explore the China challenge. Kevin is now writing a book called *The Avoidable War*. So I thought we would start with a game plan where Jane and I would ask a couple of questions to Kevin to get started, then have a conversation, and at some point we'll go to the audience for questions. I'm going to start at the top with the title, *The Avoidable War*, and the book that you're writing. Give us the elevator brief. When are we going to get a chance to read it?

KEVIN RUDD: Thanks for having me back at the Kennedy School and the Kennedy Forum. Graham, it's good to be here with you and Jane. To all of the students here at the Kennedy School and Harvard University, to echo what Graham said before, if public policy is what lights up your life, if that's what animates your soul, go for it. Because all of our countries need your expertise—and this country, the United States, in particular.

As you asked me about the book that I'm working on at the moment, *The Avoidable War*, well, I suppose someone had to write the response to the Graham Allison book *Destined for War!* We also worked together here at Harvard in 2014 just after I left political office in Australia, and Graham offered me political exile here. I'm still a senior fellow here at this illustrious institution.

Graham's book *Destined for War* is an excellent read because it points to a range of historical probabilities. As you all know, those of you familiar with the literature—rising powers, established powers, changes in the balance of power between them, and what states are observed to do under those circumstances in history. And what they may be doing now, in the case of China and the United States. I'm not a historical determinist. I think agency—what we do as political leaders and as political elites within countries—actually matters and changes the course of history. But what we have with Graham's book is a solemn reminder of the structural forces at play.

When I look at this China-U.S. relationship, I see two or three things at work. Observably, there are objective changes in the balance of power between these two countries, whichever barometer you use—the military, the economy, technology, hard power, soft power, at least to some extent. Second, what we see in the case of China under Xi Jinping is an infinitely more assertive Chinese leadership across all the domains of global policy. It's quite clear that this is happening. And third, we also are observing, under the current U.S. administration, the trajectory of an America that is uncertain about its future role in the region and in the world. When you put those three things together, what I see is dangerous terrain ahead—one that can either be left to the “forces of nature,” so to speak, and we'll see what happens, or, alternatively, you think through how this new era of so-called strategic competition can be navigated.

Some would say that under these circumstances, war might be seen as inevitable. I don't have that view. It might be seen by some as probable. I don't actually share that view either. But I do think it's possible through mutual mismanagement as we go through a very difficult decade ahead. We have to be frank about some of the lessons from history, particularly in 1914, to understand how crises arise, how they can be mismanaged, and how they can end in absolute catastrophe. I'm aware of the fact that this relationship is different from any of the 1914 relationships, not least because you've got a level of nuclear deterrence at work. But that doesn't resolve everything.

What I seek to do in the book is to say, “Here are the things working against us, but also how this might still possibly be navigable into the future.” What I find now in the literature in both the United States and Beijing is that you’ve got two giant cheer squads. One in the United States is urging America, “Go, go, go! USA, USA, USA! And here is how you can ultimately stop those Chinese from taking over the world.” But I’ve got to say to my Chinese friends that it’s basically the same in China. You see a whole bunch of people, with various levels of bias from across the Chinese policy establishment, talking about

I’ve tried to...identify a third way on how these two mature states, which between them have much historical wisdom, could navigate a peaceful but nonetheless competitive future between them. I argue this can be done through what I call “managed strategic competition.”

how China can ultimately prevail in this contest, in this great strategic competition, against America. What I’ve tried to do in the book is identify a third way on how these two mature states, which between them have much historical wisdom, could navigate a peaceful but nonetheless competitive future between them. I argue this can be done through what I call “managed strategic competition.” That’s essentially what the book is about. We can go into a little more detail later on, but enough from me on the prospective book promotion. It will come out sometime next year if the publisher has sufficient patience with me.

because you combine an understanding of both China and the United States over a long period of time without being captured by either, to offer a serious analytic capability for thinking about options. Which is what we try to teach about and learn about here at the Kennedy School. But also you’ve been in the real arena of politics, where the abstractions of the academy are translated into something more practical.

ALLISON: This is an arena that I’ve been searching in fairly desperately for the past three years since I sent my book to the publisher. I think you’re likely, particularly

RUDD: The virtue of being in office, when you’re in the political process, is what you learn experientially about “agency.” What we discuss in the international relations and political science literature is real. The decisions of political leaders matter. We’re not simply some kind of puppet of anonymous structural forces out there somewhere. What leaders decide, and those who advise them shape, actually determines the future course of history. And so, what is reinforced for someone who’s long had an interest in international relations, but also someone who has been a practitioner as prime minister and foreign minister, is that what you decide in office fundamentally matters. It changes the course of things.

JANE PERLEZ: We’ve got to assume that in your book you’re going to be tackling one of the big questions, which is, “How is the big tussle in the Indo-Pacific region going to be resolved?” So you could look at it this way: you could say the United States is going to concede its 70 years of military and economic dominance in the region. You could say that China is going to back off its goal of dominating the region. Unlikely in both cases. So that leaves you with some kind of negotiated deal. What would that look like without each side losing strategic advantage? And in that situation, wouldn’t the United States have to give up a lot on Hong Kong, Taiwan, the South China Sea, and the East China Sea?

RUDD: I accept some of the premises of the question, although not all of them. If you look at the wider region, there's one set of scenarios about China, which is what I describe as the "CIA optimism scenario"—which is that China will just kind of internally implode. I've been reading various versions of this for the last 35 years that I've been in public policy. It hasn't quite happened yet. So I'm not convinced of this one myself. There are certainly structural questions within China. The political economy questions are real: the forces of left control within a party-controlled state, and an economy, which is a market economy, that is also now being pulled to the left. There are plenty of things that can go wrong in the China model. But it's prudent for everyone to assume that this model, which has been around for 40 years or so, is going to bump along and, on balance, continue to work into the future. I don't think it's prudent to base policy on assumptions that China will fall apart.

Then you've got another set of assumptions—that the United States will get its strategic act together. Right now, in my own judgment, it doesn't have its act together. I think what passes for high policy in Washington at the moment is a strategic shambles.

And I've seen a lot of the U.S. administrations over the years, worked with a lot of them, Republican and Democrat. But this one's right out there. But there's a big caveat to that, which is people assuming the inevitability of the reelection of Donald Trump. If the Democrats are elected, under a candidate able to assemble a professional team, they would be capable of constituting afresh a viable long-term strategy for dealing with China's rise. This, too, must form a critical part of our assumptions for the future. It's not inevitable, but it must be a credible part of our assumptions for the future.

I think what passes for high policy in Washington at the moment is a strategic shambles.

And finally there are assumptions about China itself. What I think is reasonably credible is that we are still going to have a coherent China, continuing to grow, albeit with an imperfect model. As well as an America that doesn't simply degenerate, but in fact rebuilds and reconstitutes itself. So there are my premises for what we are looking at in the future.

I do not believe that you can credibly have a grand strategic bargain, which in the tradition of Spain and Portugal and the post-medieval popes draws a line down the center of the map and says "yours" and "yours." It's not going to be like that. But I think what you can do is go back to my notion of "managed strategic competition." This is something with four or five core points to it.

First, I'm a realist in the sense that, ultimately, the behavior of states is determined by the realities of both an objective and a perceived balance of power. It may be an old-fashioned view in various parts of the world. But my observation of states' behavior is that this is a critical determinant. At present, there is an assumption that this is all just drifting in China's direction. But if the United States acts militarily, economically, and, to some extent, technologically, that is no longer simply an assumed reality. The balance of power could continue to be in America's favor for quite a long time into the future. That's the first element in the equation: strategic realism. And on this, the ball is very much in America's court. It's doing a very bad job of it at present—the fracturing of alliances is just one example. But this could change. The balance of power, however, remains the fundamental element in any effective framework for what I call "managed strategic competition."

The second element requires a definition of the core national interests of each side—that is, interests that at this stage are *non-negotiable*. Here we need to take a lesson from the nadir of the Cold War and what can be learned from the evolution of the U.S.-Soviet relationship when things went radically wrong over

Cuba. The international authority on Cuba and the missile crisis is sitting to my right (Graham Allison), and his seminal text is *Essence of Decision*. A mature reflection on the Cuban missile crisis, and what then happened in the period of détente that came sometime afterwards, is instructive. Both sides looked into the abyss and said, “that is indeed a very deep hole which we should not fall into.” So on the fundamental, core national interests you’ve mentioned—Taiwan, South China Sea, East China Sea, and one or two others besides—lines need to be drawn. At the high point of détente, drawing on a culture of absolute strategic realism, in the private diplomacy of the United States and the Soviet Union, certain red lines were indeed drawn. Both sides knew where not to go. These may have been contested red lines, but they were clear red lines nonetheless. The problem at the moment is a lack of clarity on similar red lines between China and the United States. And a lack of clarity can cause you to fall

If you have the rest of the conceptual architecture...for this overall framework of “managed strategic competition”—anchored first in the balance of power, and based then on a set of non-negotiable and negotiable national interests across the rest of the relationship—then the final principle should be “may the best man, or woman, win” in this ultimate contest of ideas.

into the abyss. Thus, in the logic of “managed strategic competition,” there is a category in which I would try to define the national interests that are core to each side and where negotiated resolutions are at this stage impossible.

Third is what I’ll describe as *negotiable* national interests. That’s where, for example, under a future Democratic administration, the common interests of both sides for a global compact on climate change are self-evident. This was certainly the case under the Barack Obama administration.

The final element of what I describe as “managed strategic competition” is this: we’d be blind not to recognize the fact that at present, we also have an emerging contest of ideas. It’s not as sharp and as stark as it was during the Cold War between the Soviet Union and United States. But we have, in effect, liberal capitalism versus authoritarian capitalism. These are the two models progressively on offer. And you all know the subdetails of each.

So if you have the rest of the conceptual architecture, which I’ve just described, for this overall framework of “managed strategic competition”—anchored first in the balance of power, and based then on a set of non-negotiable and negotiable national interests across the rest of the relationship—then the final principle should be “may the best man, or woman, win” in this ultimate contest of ideas. If China is confident in the ultimate integrity, utility, and effectiveness of its body of ideas about how to organize a country’s political economy for the future (not just for itself, but more broadly around the world)—well, fine, let’s see who prevails. If, on the other hand, it’s a combination of liberal democracy and liberal capitalism, as those from the West would argue, being the most effective set of ideas for the world, then

these will prevail instead. So let's have an ideological or an ideation contest—but one that doesn't help throw us all over a cliff into irreconcilable conflict, or even war.

PERLEZ: If I could just follow up for one second, we had an interesting class on reasoning from history just last week. Fred Logevall put out five indicators of what the old Cold War was like, and one of the indicators was the absence of diplomacy in the early years. But then there was diplomacy, as you said. So if a new administration comes in, you're saying we can start some diplomacy, modeled after (maybe not necessarily modeled after, but somewhat similar to) that used to manage the problem with the Soviet Union?

RUDD: Yes. I think if you look at the evolution of the Cold War, it unfolds in at least a couple of phases, for which the most critical learning experience was the missile crisis. The missile crisis was in the early 1960s. Détente began to emerge by the late 1960s. Détente was the product of deep institutional reflection both in Moscow and in Washington. If you stand back and look at the balance of power, or what the Soviets and the Chinese would describe as the correlation of forces, this represents, if you like, the *structure* shaping the international environment today—whereas *agency* lies in good-old-fashioned diplomacy and how you actually shape things. Diplomacy matters. It's not just having a chat. Frankly, in high diplomacy, it's about having a set of strategic understandings along the lines of what I was running through before—if you wish to *manage* strategic competition. The alternative is that you roll the dice every morning and see what happens. I'm a little more cautious than that.

ALLISON: Kevin, you're one of the few people—maybe the only person in the room—who knows Xi Jinping, the leader of China. You talked with him the other day in a small group with Henry Kissinger. When Xi was vice president of China, he went and visited you in Australia. And you took him around for, I don't know, a week or whatever. You've studied him for a long time, talked to him many times. So you're talking to him last week: if you were telling him something like what you just said, how do you think he would react to that? And second, what else from that conversation are you prepared to share with us?

RUDD: The honest answer is that I don't know how Xi Jinping would respond to what I just said. But when I was here working with you, Graham, several years ago, I put together at the Belfer Center [at Harvard University] a paper titled “Constructive Realism” as a possible framework for the future of U.S.-China relations under Xi Jinping. We put that into Chinese and we circulated it into the Chinese system. My understanding from our Chinese friends and colleagues, who at that stage were dealing with the Obama administration, was that they found it “useful” in its realism and “positive” in its embrace of constructive diplomatic alternatives. So I do not think, from my own observations and engagements with Chinese think tanks, that this sort of conceptual approach is automatically ruled out at all. That's because it tries to bridge two realities. One is the realist factor in international relations concerning state power. You can't walk away from that. But simultaneously, it's the constructive diplomacy part that enables you to navigate or negotiate the imperatives of state power. I think at that level, I don't think the door has been shut, at least in Beijing, on these sorts of ideas. I'm pretty confident the door would be shut in Washington right now. But maybe, in the future, that will change.

As for Xi Jinping the other day, what I observed with the Chinese president in the hour or so we had with Henry Kissinger and Hank Paulson and a few others in the Great Hall of the People was a

Chinese president completely on top of his game. He fielded happily any question from the floor, without any notes, for more than an hour—on the future of the market in China’s long-term economic reform program, on the future of the U.S.-China trade war, as well as interesting observations about the future relationship between China and Japan. I’ve observed Xi Jinping many times over the years. For a guy who should be under a lot of political pressure at present, because the Chinese domestic economy is weakening, he struck me as remarkably comfortable in his own skin—and confident, at least in dealing with our band of foreign barbarians.

ALLISON: For those of you who don’t follow China carefully, that’s quite a big takeaway, because politicians can understand things about politicians better than the rest of us—and certainly better than analysts like me. They can feel the vibes and watch a lot of the body language and see what’s going on. I should say, objectively, if I were just reading the newspapers, I would also imagine Xi would be under considerable pressure. And certainly for many previous Chinese leaders, and many American leaders, they wouldn’t answer questions of any sort unscripted with such confidence. So that is an interesting take.

RUDD: There’s a huge contrast between Xi and Hu Jintao. Hu Jintao’s style was to read you his talking points. I’ve never seen Xi Jinping use a note in all of my engagements with him. This is quite unique in the evolution of Chinese political leaders. The guy has his own deep intellectual and policy framework. He is very much his own leader. He is not being led by those around him. And I think it’s very important for Americans to understand that.

PERLEZ: I want to ask an Australia-specific question. But before I do it, I can’t resist asking, what did Xi say about the future of China-Japan relations? This is very important, because he is going to Japan in the spring. He’s going to meet with the emperor.

RUDD: China-Japan has been a less than solicitous relationship in recent history. Effectively, Japan was put into the Chinese “sin bin” (a term from Australian football—you get sent to the “sin bin” for foul play) for many years. After the crisis following Japan’s nationalization of the Senkaku/Diaoyu Dao Islands in 2011–2012, we had an effective freeze in high-level political contact between the two countries—until a year or so ago. Interestingly, the “unfreeze” began to happen very soon after the Trump administration declared the end of strategic engagement between the United States and China, thereby beginning this new period of strategic competition. So my own view, not disputed by my contacts in Beijing, was that the Chinese concluded that as the U.S.-China relationship was entering a new period of fundamental structural friction, you could observe a decision in Beijing to reduce tensions at the political level with both Tokyo and with Delhi. And frankly, you see the same with Europe as well on Beijing’s part. So the Japan relationship has been taken out of the freezer. And, as you have said, we have a full state visit in March of next year.

This is relatively new in the “unfreeze.” A whole lot is happening economically in the China-Japan relationship, which hadn’t been happening until a year or so ago. Security tensions remain sharp in the East China Sea. The intensity of, let’s call it, Chinese military and coast guard deployments in and around the Senkakus continues. But in the framework of all that, I was fascinated to hear Xi Jinping’s reflections,

which were along the lines of, “Look, there’ve been some difficult times in the China-Japan relationship. But for the bulk of this history of the relationship between the two of us, it has been much better than that. And geography can never separate us.” He was reflecting an optimism that, structurally, this relationship with Japan could seriously improve. And so I was taken by the forward-leaning, positive nature of his presentation on Japan. And I’m sure it’s been conveyed back to the Japanese side as they look forward to next March.

PERLEZ: So on the Australian position, we are closer to China than the United States is. But we have had a very, very solid alliance with the United States. If I can frame it a little bit, Australia’s first independent diplomatic mission was in Washington in 1940. Am I correct? And ever since, for 70 years, Australia and the United States have enjoyed a very, very strong strategic alliance. But in the last 30 years, Australia has enjoyed a basically recession-proof economy. Why? Because Australia has been digging minerals out of the desert as fast as it can to sell to China and selling other goods to China. Australia has become very dependent on China economically. So the question is, what if something happens in the South China Sea? What if a plane is shot down accidentally? What does Australia do? Is it prepared to sacrifice its economic relationship with China for the long-term defense umbrella relationship with the United States?

RUDD: On the background, you’re right: the relationship with the United States is deep and long, goes back a hundred years. Australians and Americans first jumped into the trenches with each other in 1918. Interesting for our American friends here, U.S. forces were first deployed on the Western Front under an Australian general at the Battle of Hamel. And since then, the relationship, strategically and militarily, has been very close. It’s currently articulated through the ANZUS (Australia, New Zealand, and United States Security) Treaty of 1951, which is a mutual defense pact, like the NATO Treaty, with mutual obligations. If I recall the text of the treaty, it’s that if either of the treaty partners—the United States or Australia—suffers an attack on their metropolitan territory, they shall, according to their constitutional processes, consult and then act to meet the common danger. There’s only one time they’ve ever invoked that clause. And that was straight after September 11, when, surprisingly, it was the United States that was attacked. Obviously, the assumption on the part of the treaty drafters was that it would be those of us closer to the firing line in Asia that would be invoking that alliance obligation. The second provision is that if the armed forces of either treaty partner are attacked in the Pacific area, then, according to their constitutional processes, they shall also act to meet the common danger.

So you go to the hypothesis of the South China Sea—although the usual one that’s thrown up is Taiwan. The attitude of successive Australian governments is never to speculate on any particular scenarios that might arise in the future. And similarly, if you look at the traditional American posture on the Taiwan question, for many decades, the United States maintained a level of strategic ambiguity as to what it would do under the scenario that Taiwan was militarily attacked, or other military action was taken against Taiwan. I think of ourselves as a responsible ally, like the Japanese. And we adopt the same position. Even though I’m not in office at the moment, I never think it’s positive or productive to comment on what any Australian sovereign government should do should the treaty be invoked.

If I can just look at the world from a Beijing perspective for a moment. When China looks at future scenarios in the East China Sea (the Senkakus/Daiyou Dao), the South China Sea, as well as Taiwan, the

Chinese leadership, with greater or lesser degrees of anxiety and concern, always have to factor in a future variable of one form or another of common allied action. That is, in the event of a crisis arising, it would not just be the United States they would face. It could well be the United States plus its allies, depending on the scenario. And beyond that, in terms of other forms of action, including economic action, China could also face a response well beyond America's Asian allies. You will note, for example, the recent NATO communiqué listed China for the first time as a country of both concern and opportunity for America's European allies. This is a first for the transatlantic partners. So do the NATO partners or other Asian allies specify what they would do under individual circumstances? No. That's called diplomacy.

ALLISON: Let me ask one more question. To stay with Australia for a little bit, whenever I introduce Kevin, usually I remind people that Australia has been the firmest ally of the United States for the last hundred years. They've fought side by side with Americans in every war, sane or insane. And Kevin usually reminds me that is all true, except that the Americans showed up a couple of years late for the First World War and then again for the Second. That's also correct, because the Australians were there fighting before. The other thing is that when the Australians show up, they don't come to ask for help. They show up and they're ready to fight. That is another extremely impressive thing about Australia's role throughout all of this.

So Kevin, in terms of the comparison, China is your most important trading partner. But if the Americans come to you and say you have to choose between your security relationship with us, on the one hand, and your economic relationship with China, on the other, what do you do? As you've written in a number of things recently about economic decoupling, most of this discussion of an absolute binary choice is nonsense. And for the most part, leaders, when told to make such a choice, say, "Forget about it, we're not choosing. Let's have a relationship with both." But Australia has been squeezed by this in the Huawei case. Help us understand that, because I think that's going to be a dynamic for many countries. And especially for Australia, where there is such a deep relationship in security terms with the United States. But, as Jane points out, a country that hasn't had a recession for 30 years, in part because of China, has a challenge on its hands. And a prime minister who puts the country into recession in making such a choice probably won't be prime minister for very long.

RUDD: I think the first thing to reflect on in response to that question is that Australia is not Robinson Crusoe. If you look across the rest of Asia, most of the rest of Asia has China as its dominant trading partner. In fact, if you begin to look across Europe, a similar pattern begins to unfold as well. There is often a lot of focus on the Australian example. But frankly, this is a dilemma for all American allies in Asia and in Europe who have a security relationship with the United States but now a dominant economic relationship with China—more so in trade. Although in terms of capital markets, it's much more ambiguous. America remains the major source of global capital flows. So we should bear that in mind. It's not just heading in one direction. But the first point I'd make is that we are not alone in this dilemma.

Second, when I was prime minister, the Rudd Doctrine on this issue was very, very complex. It was this: "We walk and chew gum at the same time." That is, "We'll have an alliance with the United States, and we'll do whatever we need to do in the economy with China, thank you very much." In my meetings with Chinese leaders, they usually went along these lines. "Good morning. Number one: we're American

allies. There are reasons for that. It's called the Second World War. That is why we have an alliance. And if you're 25 million people sitting on a continent that is the same size as the landmass of the United States (minus Alaska) in the middle of nowhere, you would probably seek an alliance with a powerful friend with whom you have shared interests and values. Particularly when you have one of the longest coastlines in the world and the world's third-largest exclusive economic zone." That's point one. And then you say, "Friends, that's not going to change." Point two: I then say, "We also believe in universal human rights, because that's who we are. Why? Because we're from the West. That is the tradition we come from. We can't change the way we think. That is just us. That is part of our essential being." Point three, I conclude by saying to our Chinese counterparts, "Now, within those constraints, how do we make a whole lot of money together?" I have found in my dealings with my Chinese counterparts that this sort of brutal realism is reasonably effective. They don't like one and two, but they recognize the reality of it. And then we get to focus on part three. It's when you start dancing around one and two and pretending that they don't exist, or only partly exist, that you often get into trouble.

Now you have legitimately gone to the current dilemma around Huawei. I will make an example here of Japan, which is as strong an ally of the United States as Australia. Japan has currently got a policy on Huawei and 5G that, in substance, is identical to the Australian policy. It's simply in their diplomatic communication that they have executed it with what I would describe as "high-level Japanese finesse." Almost like a tea ceremony. They say, "Ah! Huawei, 5G. For the future of 5G, we would like a system with the following characteristics. We're not sure whether Huawei will meet those characteristics or requirements. Perhaps not. But that's a matter for the future." Then on the Belt and Road Initiative, they say, "Ah! The Belt and Road Initiative. Now, if the Belt and Road Initiative in the future is conducted through full transparency, sustainability, etc., then of course Japan would like to collaborate in the future. What a great idea! But until that time, we will probably be doing our own thing, so no offence." Whereas in Australia we say, "Nah! Go away." That is what I describe as a lack of finesse. I think we need to study the Japanese tea ceremony model a little more closely.

ALLISON: Let me take us to the audience. Let me start by taking advantage of the fact that we have among our audience Professor Nick Burns, a colleague and friend who was Under Secretary of State for Political Affairs when Kevin was the prime minister, and so had some time working with him. Kevin said something about "diplomacy matters." Nick heads up a project here at Harvard on diplomacy.

NICK BURNS: Kevin, I think the thing that we're struggling with in the United States is what you're struggling with in Australia. I just spent three weeks in Australia this autumn as a fellow at the Lowy Institute. Thirty-four percent of your trade is with China. You've had 28 years of uninterrupted economic growth because of that relationship. Twenty-five percent of the students at the University of Sydney are Chinese nationals. There's a relationship there where you're very vulnerable to Chinese action should they decide that you've taken actions that are unfavorable to them. How do you both cooperate with China and yet balance it with competition? We're facing the same problem here. We're in a highly competitive phase of the U.S.-China relationship. China is a strategic adversary for our country. I get that, and you and I were together this summer talking about this. We need them on climate change and on stabilizing the global economy. It seems to me that both Australia and the United States, from different vantage points, have to find a way to achieve this balance with this extraordinary country.

RUDD: Well you're absolutely right, but a point in parentheses on the way through. Yes, we're into our 29th year of consecutive growth. Jane mentioned this as well. But it's not just because of China. During the global financial crisis, we engaged in a 5.6 percent of GDP stimulus package, deployed along intelligent Keynesian lines, which uniquely among OECD member states helped keep us out of recession. So it was China plus domestic policy action. But that's a marginal point against the central question that you asked, which is how do we deal with the dilemma.

We seem to think that the U.S.-China gap is without historical precedent. I don't necessarily think that's the case. There are other examples in history of vastly divergent cultures and civilizations which, upon encountering each other, did not simply degenerate into conflict. And remember in the evolution of the Cold War, the Soviet Union and the United States managed to come out of that without blowing each other's brains out.

I think we just need a little bit of historical perspective and say this is not Mars and Venus. This is China and the United States—two sophisticated political systems with highly evolved political cultures, highly rational individuals within those cultures, who are capable of negotiating common outcomes.

I cannot think of two more disparate strategic cultures than those two. So I think we just need a little bit of historical perspective and say this is not Mars and Venus. This is China and the United States—two sophisticated political systems with highly evolved political cultures, highly rational individuals within those cultures, who are capable of negotiating common outcomes.

So my response to your question, Nick, is to go back to the principles of “managed strategic competition” that I sought to outline before. I do not see an alternative, which is why I'm writing a book titled *The Avoidable War*. It's not just a pious aspiration in hope. It's a piece of diplomacy that recognizes that China ultimately respects power. I know enough about Chinese Marxism, Leninism, and traditional views of

Chinese statecraft to know that power matters. And therefore, China, when it looks at the United States, is not just attracted by the scenery. It's not simply admiring the fact that at Harvard, you've got some nice buildings. They are deeply respectful of the fact that this is enormously powerful country when they aggregate all the elements of national power. So when I said the first principle of what I describe as “managed strategic competition” is for the United States and China to both recognize that this balance of power can be managed in a manner that is stabilizing and not destabilizing, this is the foundation for the future.

In America's case, this will require a revolution in this nation's investment in its basic science and research. This is fundamental to the sustainment of American power into the future. Otherwise, others will form an even deeper conclusion that America is sliding its way out of history. The rest is as I described before. And that is an arrangement based on the balance of power. One that recognizes the core interests of each side and the protocols necessary for managing those core interests through high diplomacy. One that also accepts that each side has significant interests that are nonetheless negotiable and therefore navigable, that there are also self-evident, common interests, such as climate. Together with a recognition that if we're going to have a big ideological debate about liberal democracy and state capitalism, then let a hundred flowers bloom and a hundred schools of thought contend, and see who ultimately prevails. I'm sure each side will be backing their own set of ideas.