THE BROOKINGS INSTITUTION

STRATEGIC REASSURANCE AND RESOLVE: U.S.-CHINA RELATIONS IN THE TWENTY-FIRST CENTURY

Washington, D.C.

Monday, May 5, 2014

PARTICIPANTS:

Moderator and Discussant:

MICHAEL GREEN
Vice President
Center for Strategic and International Studies

Panelists:

JAMES STEINBERG
Dean, Maxwell School of Citizenship and Public Affairs
Syracuse University

MICHAEL O'HANLON
Senior Fellow and Director of Research, Foreign Policy
The Brookings Institution

* * * * *

P R O C E E D I N G S

MR. GREEN: I'm Michael Green, senior vice president for Asia at CSIS and a professor at Georgetown. And I have to say at both CSIS and Georgetown the audiences are nowhere near this disciplined. (Laughter) It usually takes an effort for the moderator to get everybody to be quiet. So it shows both the good discipline and order at Brookings but also the great interest in this wonderful new volume produced by my good friends, Jim Steinberg and Mike O'Hanlon. I hope you have all picked up a copy out front and bought some for Mother's Day and (laughter) Thanksgiving and Christmas. *Strategic Reassurance and Resolve*. I'm going to ask Jim and Mike some questions about the book and then we'll open it up. I've read this in several versions I think and it's a very powerful volume. It's very timely. There's nothing quite like it that dissects the challenges of managing relations with a rising power, looking at military and other dimensions and thinking through logically where all this goes. It's the kind of work that I would expect from Jim and Mike whom I've known for a long time. My association with Mike O'Hanlon goes back to the 1930s when our mothers were best friends in Riverhead, Long Island. And I've known Jim not quite that long.

So let me open up first with Jim and ask other than the fact that you have a lot of time now why the book? There's a certain urgency to it and maybe you could open by telling the audience the central argument and why you thought it had to be written and written in this way right now?

MR. STEINBERG: Thanks, Mike. First of all it's great to be back at Brookings and a lot of familiar and old faces that I'm delighted to see again. You know, I think the motivation for the book for me I think and I think I share with Mike is this sort of quite interesting conundrum about U.S.-China relations. On the one hand because of the

depth and the extent of the ties between our two countries, the interdependence, there's this sense that conflict between the two countries is unimaginable. And yet when we look both the contemporary events, at all the places where there's a lot of tension and contention and the broader international relations, historical narrative about the challenge of managing the relationships between established powers and rising powers, from that lens it looks like conflict is almost inevitable. And so you have this conundrum in which it seems unimaginable. Certainly everybody would appear to be losers if it were to happen, and yet history tells us and recent events suggest that maybe it's not so unthinkable. And so the fundamental challenge and the fundamental motivation is the huge cost that would come about from conflict, and yet the realization that if not handled well conflict is quite possible. And so that really is the motivation behind the book, is to try to find a way at least to reduce the chances that a relationship which shouldn't turn sour might go very, very bad.

And I think the insight comes from something that you understand well having been involved for so long both from the specifics of the relationships in East Asia and the broader problem with rising and established powers is that even under the best of circumstances where both sides see the value of cooperation there are structural reasons why it's hard to achieve. And those structural relations are related to the fundamental uncertainty and in the end no ability about the intentions of the other side. We've heard a lot in recent years about building strategic trust between the United States and China and building a new model of great power relations but the truth is that -- and for good reason -- however the sincerity or the power of the words that each side profess about the desire to build that trust they have to have doubts because there are certain parts of their relationship which are fundamentally uncertain. First, even when each side

professes good intentions you can't really know enough about the inner workings of each government to know for sure what they're all about. But even more important, even if you had a lot of confidence, even if you had two leaders who really looked into each other's soul and saw each other's intentions you don't know what the future holds, you don't know what the next generation will hold. And so what happens in situations like this particularly when you have a rising power with increasing capabilities is that there is a tendency to worry what might happen in the future and to hedge against that worry. And we all know the problem with hedging is that when one side hedges just as a kind of a prudent precaution the other side sees that hedge as potentially threatening. And so each side acting rationally, trying to understand and deal with the uncertainties of the future being to hope for the best but prepare for the worst and create doubts and uncertainty in each other's minds. That sets up a very powerful and dangerous dynamic which can lead to conflict. And this is very powerful in the case of the United States and China because of the differences between our two systems, the uncertainties that that creates in our understanding of each other and the growing capability of China, both its capacity because of its economic growth and its direct capabilities because of its military modernization.

So the IR community has tended to see these through two different kinds of lenses. One, a very pessimistic lens; conflict is inevitable, it's the tragedy of great powers, get ready for it. And the others who say well, interdependence will protect us even though there are all these forces for conflict. And our conviction is that the worst is not certain but the best is not for or (inaudible) either. And so the question is how do you manage that? And what can both sides do when they can never be sure what the other's intentions are, but each knows that they would be better off if they cooperated. That's the

basic premise and we argue that there are two very fundamental principles that have to be addressed here. One, reassurance, which is an attempt to try to dispel misplaced anxieties. You know, situations where one side fears that the other has hostile or non friendly intentions and how do you dispel that misplaced anxiety? But also -- which is one source of conflict -- but also to deal with the case where sides misjudge where the other really does have an intention to act and makes a misjudgment about their resolve. And so both of these polls of our argument, reassurance and resolve, we're basically trying to dispel uncertainty, create more clarity about intentions, and allow each other to make the adjustments they need to manage the relationship.

What's important to understand about the argument is it doesn't assume good will on either side, doesn't assume bad will either. It just says we can know for sure and how would we manage these relationships to get a positive and more cooperative outcome given the fundamental uncertainty about both near and long term intentions.

MR. GREEN: How do you do it, Mike? (Laughter)

MR. O'HANLON: First let me thank you and thank my co-author most of all. As you can imagine it's an amazing treat to write a book with one of the brightest guys in the field who just came off two and a half years of working this problem day in and day out as I know you have in the past. And very quickly before I get to your question I want to thank a few others, Ian Livingston, Andrea Baldwin, colleagues at The Brookings China Center, East Asia Center, a lot of people who have helped us, including our book launch in a week in East Asia which will include stops for example in the Beijing Office of Brookings. So thanks to many and thanks to all of you for being here.

How do we do it? Well, you've lived this and worked this, both of you. I'm just going to give a couple of examples. And I'm going to pick up on the word

"hedging" because there are a lot of ways to go at the question you posed. But historically we thought hedging as just prudence, right? You hope you can build a good relationship but you have a just in case policy. And nobody can be against that in the abstract. The problem is that hedging can mean a lot of things in a lot of context to a lot of people. And one of the things I could mean hypothetically is okay, we see China now solidly established as the world's number two military power, at least in spending terms, close to $200 billion a year. The U.S. is still way ahead at $600 a billion a year. Our allies had another $400 billion. So the western alliance vis-a-vis China is still sort of a trillion to $200 billion, but the gaps closings. And one possible American response would be to say we don't want that gap to get any closer, we don't want it to close. We don't want to lose this ratio. And so we're going to go embark on a new military buildup. Now I'm against sequestration and I actually think we do need to increase spending a bit above and beyond where it currently is under the Murray Ryan Plan. That's the level of technical and budgetary detail that I'm not even necessarily asking my co-author to agree with because, you know we can debate about military budget specifics. My point is I am concerned that the United States maintain its resoluteness and its capability and not concede superiority. But at the same time if we try to hold onto the advantage that we've had historically at the level we've had it it's not going to work. So if we interpret "hedging" to mean just out compete the Chinese the way that Ronald Regan out competed the Soviets in many people's minds in the 1980s. The Chinese economy is fundamentally much healthier so that model is not going to be as easily applicable. For the Chinese, however, they're going to have to also recognize if we just try to become an equal to the Americans, first of all we have a long ways to go, second they've got some pretty good allies. They've got -- as Jim and I calculate in the book $3 trillion dollars worth of

cumulative weapons inventory of modern stuff. The Chinese have probably less than $200 billion. So it's like a 15 to 1 American advantage by the accumulated investment. And so if their strategy of hedging is well let's try to approach parity with America because that's the only way that we can be sure this is all going to work out for us, that's not a very good formula either. So we're left with a world in which we're arguing for both sides to show some restraint in their degree of military buildup. Of course right now the Americans are not -- we're not building up, we're building down. And so on this one for the United States I'll just give you one recommendation here. Our idea is not to say the United States should cut its budget to somehow approach China's but to say that our big new idea of modernization, air-sea battle, which has some good military ideas behind it needs to be modified because the Chinese hear it as confrontational. They hear it as code for containment and it's evocative of Air-Land Battle Doctrine which NATO had against the Soviets in the Cold War. We say it's not directed against China, they think that it is. And some of it's militarily logical and necessary but we need to modify it. And there are a couple of ways we suggest doing so in the book starting with the name, air-sea operations. Also trying to include allies and even the Chinese in certain aspects of air-sea operations where we can. So that's one way in which we can sort of try to show some desire for cooperative relations without conceding military superiority.

One last quick point, and I'm sorry to go on, but just -- as you know it's a complex set of questions -- for the Chinese -- I don't know how this is going to be received when we talk about it -- when I talk about it next week in Beijing and Shanghai but we suggest to them that now that they're getting within about, you know, $400 billion of the annual U.S. budget in military matters that they think about slowing down their buildup a little pretty soon. And that may sound funny to say but the argument is China

depends on the American military to protect Persian Gulf oil on which it depends and therefore China has a certain stake in this U.S. led international order. We know that over time they want to modify it in some sense to allow themselves a greater role, but they also need to show some acknowledgement that it serves their interest and they're not seeking to overturn it. So even though I can't put it in very precise language as they start to approach half of our military budget in the coming years they might want to think about just slowing down the buildup. Because there's a certain logic to their being roughly half as strong as us for at least a certain short period of time. We're protecting the Persian Gulf and the Middle East and they're not. It's to their benefit that we are and so there's a logic to recognizing this is a moment where perhaps a slow down might be in order in the coming years.

So as you can see we can give a lot more recommendations from the book that are more precise that get into very specific arms control or military domains. This is a broader one but I think it captures some of the spirit of what I want to give as an answer to your question. Thanks.

MR. STEINBERG: Yeah, the thing I'd just add is that I think part of we try to do in the book is to get at the question of how do you give credibility to this idea that each side wants to develop a cooperative relationship or at least avoid this problem of arms racing and crisis instability. You know, we each profess to each other that we have good intentions but I was very much struck a year ago when I was at Shangri-La, the annual meeting of the East Asian Defense Ministers, that Secretary Hagel gave a very compelling explanation of the pivot, the rebalance and why this was designed to enhance stability for all, was not designed to contain China, et cetera, et cetera. And a major general in the PLA stood up and she said, Mr. Secretary, we hear you but we are not

convinced. And similarly when the Chinese speak of peaceful rise and the like many voices here in the United States say we're not convinced, we see what's going on. We see your military modernization; we see the activity in the East China Sea. We're not convinced. You say these things. So the question is what is it that concretely that each side can do that both gives credibility to the fact that they don't have these hostile intentions, and equally important are observable enough that if they begin to deviate from them and start to do things that are in fact threatening that we'll see them soon enough, we can react in time so that we don't jeopardize our own security on either side but we don't have to prematurely assume the worst by preparing that before it emerges. And it's that idea of trying to find concrete steps which we focus on restraint as Mike said. What can each side -- cases where sides might do something but choose not to do them is a good sign, it's not absolutely certain but it's a positive sign about intentions.

So for example one of the things we talk about which has been more successful in the U.S.-China relations is in the nuclear field. One of the things that notable is that over the past now 50 years about since China first acquired nuclear weapons, that they have not sought parity with the United States. And though there's some debate about where they're going there's still no sign that they're trying to equal the U.S. nuclear force structure. That's restraint and that itself is a very positive step and relatively observable from the outside. Similarly although we are out of the ABM Treaty and have been out of the ABM Treaty for over a decade we haven't sought to build a missile defense architecture that's designed to degrade the Chinese nuclear capability. That's restraint on our side. We could to it. It would be perfect but we could certainly complicate the Chinese situation a lot. But we've recognized that there's little reason to do it and there's a danger that we would simply induce them into an offense/defense

arms race. So even though we're not constrained either by technology, money, or by arms control agreements we have exercised restraint. These are the kinds of tools that we try to identify across all of these different areas of U.S.-China relations.

MR. GREEN: Thank you. You mentioned, Jim, that you're not relying on interdependence and you're not assuming that conflict is inevitable. And in the prewar period, in the 1920s and'30s, everyone knows about Normal Angell before World War I, but before World War II Thomas Lamont of JP Morgan gave a speech in Los Angeles in 1928 saying war with Japan is absolutely unthinkable because of economic interdependence which was considerable. Others, Earl Ellis, this wild marine and others were saying war is absolutely inevitable. And you're trying to explore that space in between.

But I want to try to do two things. First --

MR. STEINBERG: By the way, can I just interject? We'll be back soon when Mike Green's excellent book on the history of this relationship and U.S. involvement in East Asia will be out. And I have been privileged to see early drafts of this. You'll be very excited by this so.

MR. GREEN: Thank you. But don't hold your breath. (Laughter) I'm just getting to the end of the Cold War. So I want to ask a few questions about the assumptions, the large strategic and theoretical assumptions, and then a little bit about the specific recommendations. Because very handily this is a great piece of scholarship and a great piece of think tank work because on page 209 is an appendix with the recommendations listed in bullet form in good Brookings style. So I'll get to those in a minute, but first the assumptions. Try to identify what this strategy is and isn't. So when you go to the Pentagon and you walk down the policy wing as you both know they have

in big letters, reassured, dissuade, deter, defeat. The idea being that stability depends on reassurance which you focus on a lot here but ultimately the ability to defeat aggression. So as you look at how to manage the security dilemma created by hedging are you saying we no longer need to be able to defeat Chinese aggression against Taiwan, Japan, other U.S. interests militarily or we just need to explain it or shape it better?

MR. STEINBERG: Not at all. I mean the reasons why there are two nouns in the book is because it requires both reassurance and resolve. Reassurance as I said to dispel misplaced anxieties. But resolve is to make clear where the red lines are and where actions will produce responses. That's the deterrent's part. I would qualify the deterrents there. I'm not sure it's defeat per se, it's to raise enough uncertainty in the mind of the person, the other side that they would pay a cost that they don't want to pay to dissuade them from acting. So I think -- but it is certainly -- and that's why it's so important to have clarity about the resolve, to let each side know what each side considers worth fighting for. And that's partially a statement of intentions. But again which we stress so much in the book it's much more about capabilities because intentions can be stated but still leave ambiguity because it's not clear whether the intentions are met. And so what we focus on is what kinds of capabilities do you need to do. And what particularly I think powerful right now in thinking about this is to be effective in deterrents it has to be credible that you both have the capabilities and you will use them. And the danger in the U.S.-China relationship right now is because so much is at stake there's a danger that each side with misjudge the other's willingness to go to war, to oversimplify over the issues simply because the danger of those wars and the potential costs of those wars are so high. So deterrents might fail if each side believes that the

only response to crossing a red line is all out war.

And so one of the things that we emphasize in the book is to develop a set of tools that make deterrents credible, that gives you an option short of attacking each other's homeland to respond to actions that cross red lines. And I think that's where the credibility and deterrents comes is to have a tool kit which allows you to impose a cost on the other side without making it the equivalent of a cold war, all out nuclear exchange.

MR. GREEN: Mike, let me push you on this one a little bit because this could be interpreted -- I'll give you a chance to correct my thickheaded interpretation -- but it could be interpreted as moving away from what has been a sort of unspoken -- at least publicly unspoken -- element of U.S. strategy in the Pacific for longer than you and I have been around which is that we will defeat any aggression against the first island chain. And since -- the Korean War against Korea. And so is this in any way a diminution of defeat? For example, you take some issue with air-sea battle and propose air-sea operations. But air-sea battle joint operational access, JOAC, and all of that is trying to maintain -- thinking of ways to maintain an edge so that the other side doesn't assume that we cannot defeat aggression. So where do you draw that line or are you moving the line a little bit in the name of reassurance?

MR. O'HANLON: I don't think the lines --

MR. GREEN: Or budget realities.

MR. O'HANLON: I don't think we're moving the line, I think technology and the rise of China are changing the structure of the competition, and they're elements of real competition as we all know in this relationship. Or to put it a different way it's gotten harder to defend the first island chain. And rather than pull back from the first island chain what I would submit is we need to make our forward bases resilient, in some

cases redundant. Doesn't mean we need to open new bases yet in other countries. We would hold that in reserve in a sense in response to possible Chinese provocation of our strategy doesn't work or isn't accepted and implemented by both sides. But I think it's gotten to be a much more difficult proposition to think of the Western Pacific as essentially an American lake the way that it had been for decades, at least in the U.S.-China context. That's going to get harder and no policy argument from CSIS or AAI or Brookings or anywhere else can change the fact --

MR. STEINBERG: Speak for yourself. (Laughter)

MR. O'HANLON: -- that the Chinese now do have a lot more weapons to threaten carriers, fixed land bases and other such things. One interpretation of air-sea battle -- and by the way we go out of our way to say the part -- to praise the parts of air-sea battle logic that we agree with in the book and, you know, a lot of the need to improve our defenses, improve our resilience, improve our hardening, those are absolutely correct. But the notion of some advocates of air-sea battle which is to pull back from a lot of our dependence on forward bases -- I don't want to put words in Jim's mouth but I don't necessarily agree with that because what that suggests is disengagement from your allies. There may be some kind of a narrow military logic that says you're better off flying a lot of bombers from Guam than -- or Hawaii or California than you are having forward tactical air in Japan or elsewhere. I think you need a mix. Partly because you've got to show that you're as committed to your allies as you ever were. And so I don't want to over respond at a technical level to military trends by pulling back, making ourselves feel like we're defensible but all of the sudden raising questions about our commitment to our traditional allies.

MR. STEINBERG: Let me just -- because I think I -- focusing on the

specifics is probably an easier way to get at answering you question. So it's definitely not pulling back from the commitments but it is making deterrents more credible. The problem with some aspects of air-sea battle is that it implies or at least suggests that in order to prevail we need to move early on in a crisis to attacking the Chinese homeland. And these are -- the capabilities are structured, they're offensive minded and they're designed to in effect take it to the enemy. That has a superficial attraction except for the fact that the other side gets a voice too and if they see in a crisis that you're prepared to strike early and preemptively against their strategic assets and their homeland it will lead them to act early and preemptively by disabling our satellites, by taking cyber attacks against our capabilities. Each side fearing that the other is going to go preemptively and offensively then moves the timeline back and creates enormous instability even in a small conflict. And so what we advocate is an approach that gives you more tools, not to undermine deterrents but to strengthen deterrents because you're much more credible to say in the event say of some kind of Chinese action directed at Taiwan, a blockade or even a direct attack, that we have options short of attacking Beijing or attacking their nuclear forces early on in the conflict. That's why I focus when talking about deterrents on imposing a cost. It's not just winning the war; it's making the other side feel that you have the ability to impose costs. And they can be economic, they can be military, they can be a range of costs that will dissuade them from starting the adventure in the first place. That's what creates stability rather than a situation where each side is in effect on a hair trigger. We learned that lesson in the Cold War. And one of the things you'll see in this book -- and I know you know -- is that although most of our friends, especially in China, don't like drawing lessons from the Cold War dynamic between the United States and the Soviet Union. And there are many important differences between the

relationship between China and the Soviet Union. The truth is we had to deal with many of these kinds of challenges in managing the U.S.-Soviet relations. And we learned that there are things that we could do to stabilize the competition which didn't weaken deterrents, which didn't weaken our ability to meet our fundamental commitments but made it less likely that we would get into a crisis and be forced to escalate, be forced to take measures which could benefit neither side.

MR. GREEN: We may come back to this but let me turn to another assumption that's in the book which is what are the drivers of Chinese behavior. On the one hand you have Iain Johnston, Taylor Fravel arguing that what China is engaging in is reactive assertiveness. That essentially it's a classic dissidity and trap and they're reacting to us reacting to them reacting to -- sounds like a bad episode of The Honeymooners. On the other hand you have Aaron Friedberg and others arguing, no, there's strategic intent here, this is a long term Chinese ambition to push out their security perimeter. It's a natural thing in a way; it's what all rising powers including ourselves do. I read one I'm convinced, I read the other I'm convinced. Where do you come out on the determinates or the drivers for Chinese strategy? Because, you know, the answer to this question of how much hedge, how much deterrents is going to depend on that.

MR. STEINBERG: See, I think that's the wrong question, Mike, to be honest. I think that the premise of the book is that we can't know with enough confidence to base a good policy based on that. I mean it's -- I admire our colleagues for doing it; it's important to try to think how China's leaders might think about it. But I think it's a mistake for American policy makers to bet one way or the other. We have to be agnostic about this because we can't in the end know, not simply because we can't know what this generation of Chinese leaders will do but we can't know what Chinese leaders will do in

20 or 30 years and that's what we have to prepare for now. All the decisions we're making are not for just today but for 20 or 30 years from now. And so I think the power of the argument we've made, and certainly what motivated us to structure this way, is it allows us to be agnostic on the question. We talk about why these various factors might influence them but this is a strategy approach where each side doesn't have to make a bet or make a judgment about what the deep strategy is of the other side. Because I mean one of the things we know from a lot of the work that's been done in history is that it can change over time. Strategic culture is not fixed in one place. Even if you thought at an earlier time as some Chinese writers would say that during the Ming Dynasty it was a very, you know, benevolent and non aggressive -- it doesn't really matter that much because all those things might shape current and future policy they don't determine it. And so it really -- I think for both of us that the core was to try to take away an assumption, to not depend on an assumption about the strategic culture or that the constraints on what strategy might be, but rather to try to devise the approach which would work for the United States across a range of possibilities. And similar to the Chinese, I mean if you were Chinese and you were thinking gee, they have elections in this country, presidents change, philosophies change. You want China to have a strategy that is also somewhat immune to the changes that we take place here. If you can find an approach that doesn't force a heroic assumption about where the source of the intentions are I think you have a more resilient policy.

MR. O'HANLON: If I could add, very well said and of course I agree, but one more piece to our approach is to say both sides will watch the other and they're reactions and their future policy decisions will be in part a function of what they see the other side do. So we're not suggesting that the policy could be devised once and for all

on the American side to be independent of anything China may do in the coming years. So for example if China were to be more assertive by our logic this would increase the appeal of developing more American military bases in different parts of the region. But we would rather hold that sort of an option a little bit in reserve and try to induce a more virtuous cycle of behavior. So there's an element of resilience and an immunity from the other side's behavior you're trying to preserve or create, but you're also watching and you're looking for this virtuous cycle.

So I get back to the earlier point about air-sea battle versus the pace of Chinese military modernization. Those two areas of possible restraint on each side we would hope both sides would make it easier for the other by creating a pattern of behavior that reinforces that trend. And in some cases, if I could just add one very specific suggestion, or one with a policy proposals as we put in the book, in some cases you should look for relatively harmless ways to buildup a higher level of, you know, confidence -- that's a big word. Trust is an even bigger word. We don't necessarily think you can create U.S.-China trust, but you look for patterns of behavior that can be mutually reinforcing. And so one very concrete idea. We all know that our friend, Zbigniew Brzezinski, is upset about the amount of American forward reconnaissance that's done near Chinese shores. And his recommendation from a very strong tradition of academic and government service throughout his long career is to say we should do less of it. Well, in our book we don't say we should do less of it. We don't say the United States can forego reconnaissance but we're looking for a way to make the Chinese feel a little better about the way in which we can get right up their shores but they can't really see very much of what happens here.

So one minor, maybe modest suggestion is let's have an open skies

treaty with China. As you may recall the open skies treaty is something that the Cold War produced between NATO and the Warsaw Pact. You file a flight plan, you get to fly over another country's territory. You can see how many tanks they have parked out on one of their training grounds or how many airplanes have come out of their big aircraft production facility. There's a certain amount of limited transparency that's fostered and improved but you don't give away any state secrets because the plan is pre-filed in advance. So that's not going to solve any problems in the relationship permanently, but if you couple some of those small measures to try to create more of a virtuous cycle with some, you know, strategies of resilience we think you can create a virtuous dynamic that reinforces.

MR. STEINBERG: Just to elaborate a bit on this. In the best of all cases you create this virtuous cycle in which each side takes steps, they're reciprocated by the other side, not necessarily negotiated by the way, although we talk about formal arms control agreement we don't put a lot of emphasis there because I think the history has shown that we've reached the point where often these arms control negotiations are more damaging to the relationship than helping. But so in the best case you get reciprocal and virtuous cycles through reciprocal action. But if I could use a technical IR term here, if not you can smoke the other guy out. I mean the unwillingness to reciprocate, the unwillingness to exercise restraint is something that would allow you to draw some conclusions. And so part of what we envision is quite an explicit conversation between the two sides that sounds like something which we all recognize from our families, when you do this it makes us unhappy, right. Why are you doing this? Are there other things that you could do to protect your security?

So one thing we focus a lot on is on space, right. And we see a number

of things that China is doing now, ASAP testing, collisions and the like which worries us a lot, one because of the collateral downside of the debris and all that, but also questions about whether this is creating deep crisis instability. As they threaten our satellites we will have to act preemptively to take out their capability to threaten the satellites, et cetera, et cetera. So one of the things that we envision is the situation where we identify these actions, these capability developments on the Chinese side and we say look, you're entitled to your legitimate degree of security but this a very destabilizing thing that you're doing and will require us to take some counter measures. Are there other ways that you could achieve your goals short of doing this? And similarly because this is obviously reciprocal there would be an opportunity for the Chinese side to raise issues like the reconnaissance that Mike talked about to say look this seems very threatening to us. You're right off our shores, et cetera, et cetera. If through that dialogue we can identify reassurance steps that each side can take without undermining our own security -- this is not being nice, this is not doing it as a favor to the other side, it's not weakening your own capability, it's simply identifying whether there's a path forward in which each side can protect their own legitimate security concerns in ways that are less threatening to the other.

MR. GREEN: So a number of your recommendations and your comments just now focus on confidence building measures and transparency. And the pattern to date with the PLA has been mixed at best because as you both know well the PLA views transparency as the tool of the strong. This sounds good but how do you convince them to get on board with a range of recommendations that focus on mutual transparency? For example, capping defense spending would require one would think some sort of verification. Your recommendation on open skies and so forth would require

a level of verification that would be revolutionary for the Air Force and the Navy here but super revolutionary in the history or context of PLA thinking about transparency. So how do you convince the PLA specifically? You might have luck with the Foreign Ministry, but how do you convince the PLA specifically that transparency is in its interests?

MR. STEINBERG: So two things, first I have to say I was -- although you're quite right about the history of this and god knows Bill Perry and others were very frustrated by the unwillingness of the PLA to respond. I took away -- despite the very interesting tone of the exchanges during Secretary Hagel's most recent trip, a new willingness by the PLA actually to begin to include some of these issues in the dialogue between our military and theirs. And clearly if -- to convince the PLA it's going to have to be in conversations between our military and their military. I think that's indispensible.

But the second thing is to be quite candid which is to say look there are two choices here. Either we go down this path in which we begin to develop reciprocal restraint and transparency or we will have a competition. And Mike ahs said very powerfully that's a competition the PLA doesn't necessarily win, right. We have tremendous assets on our side and this is where the resolve comes in. We have to make clear that there are two paths. There's the path of beginning to take these confidence building measures and reciprocity and transparency or there's the path of out and out competition. And that we are prepared for that and we will undertake it both in terms of our commitments and our capabilities because as you pointed out throughout this what makes the creditability and the attractiveness of the reassurance route so strong is the recognition that there's nothing to be gained by going down the other route. And obviously that if there's any assumption in the book it's that if we set our mind to it the United States is more than able to be successful in this competition with the PLA. We

shouldn't want it, everybody loses, it's costly, it's destabilizing. But if -- it's a choice that each side has to make and I think it's -- what we would hope would happen is that we would put this bluntly to each other which is here's a way to restrain the arms race, to create greater crisis stability or there's this other way. And we think it's a win/win to move in the direction we're doing that doesn't require either side to trust the other or to, you know, assume benevolence on the other side but still allows us to have security at a much more stable and less cost.

MR. GREEN: Let's talk about allies for a minute. A number of your recommendations, for example -- which I agree with by the way on the Korean Peninsula -- work toward trying to have some exchanges with our Chinese counterparts on scenarios for instability for what unification would look like. Even if we aren't getting much of an answer it's probably useful for us to describe some of our objectives. But right you get into trouble if you do that without our Korean allies. Or when you talk about missile defense you recommend that we have -- as I understand it -- a declaratory policy that we would not seek to defeat Chinese ballistic missiles with our national missile defense. But then right away you get into this question that will concern the Japanese in particular about whether we're accepting mutually assured destruction which is mostly words but it matters in terms of the credibility of our extended deterrents. So how do you bring allies into this confidence building process? A lot of the dangerous incidents at sea but especially in the air are not U.S. Air Force F15s they're Japanese F15s and Chinese unmanned aero vehicles or jets. So how do you bring our allies into this as part of this reassurance exercise with the Chinese? And how do you reassure our allies as you do it?

MR. STEINBERG: Obviously the presence of allies makes this more

complicated. Part of it is on the resolve side is to make clear to our allies where our bottom lines and red liens are and how those take into account their interests. Because I think that for them that in the end that would be the most important. And so the decision to reiterate the commitment under Article 5 and that seems to me as part of resolve here that should -- it's both resolved vis-a-vis China and reassurance vis-a-vis Japan. And it's also the case that in each of these things one has to be very conscious of that. I think one of the things that we do talk about is in terms of what are U.S. red lines ought to be is it's clearly been an objective of China for some time to see the end of our security alliances, our formal security alliances in East Asia and we very strongly come out against that. We think that instills something that we ought to make clear is not on the table and whatever -- if that's what China seeks reassurance on by a commitment by the United States to move away from those things I think we should decline that. And we should say some things we can't reassure you because we believe it's in our interests, our allies' interests, and by the way in your interests. And I think we do have an obligation in any of these areas to begin to discuss these things with our allies first. And so - -and even with our friends and non formal allies. Just as we've always said for example vis-a-vis Taiwan that we would not negotiate matters that directly affect the security of Taiwan over or outside Taiwan's engagement. I think that is critically a part of what we do.

But the other side of it is that, you know, our allies have an interest in our managing this relationship. They want to be reassured about our commitment. But I don't think there's anybody, or very few anyway, in East Asia who wants to see a conflict between the United States and China. And so for our allies the best of all worlds are one in which our security and presence is maintained, our commitments are maintained, but

we still manage to manage the competition between the United States and China.

MR. O'HANLON: Just to add two things if I could quickly. One, for example, on Korea contingency planning the way I would put it -- I hope it's not to starkly for how you would put it, Jim -- is there can't be any conversation, it's just the U.S. and China. We have only one military type of presence in Korea; it's combined forces command with our Republic of Korea allies. Any kind of contingency planning has to be done through that vehicle. Sure, you could have side conversations at cocktail parties that, you know, allude to the desirability of the conversation in the abstract been an American and a Chinese official who meet or academics or whomever. But the real thinking about how you would anticipate certain scenarios, it has to be done with our ally clearly in that case, specifically South Korea.

On incidents at sea, as you know we had a U.S.-Soviet act in the Cold War on avoiding overly dangerous or provocative -- or inadvertently dangerous behavior when ships operated near each other for purposes of reconnaissance. We favor something like that. We argue for it in the book. People will say no, it's not worth it in the U.S.-China context because there are all these different arms of the Chinese state that are out there on the waters. Well, I would say let's include them and let's include American allies. And maybe you don't get to that finish line right away but that should be the goal because you have to involve everybody for the reasons you mentioned.

MR. GREEN: Let me ask you another alliance question because you're losing your voice and you sound like Rich Armitage. (Laughter) So you're in the zone. Sounds like Rich Armitage. So pushing the allies thing, you know, one of the sort of principles of deterrents is, you know, when the other side is growing in its capabilities you can asymmetrically target their vulnerabilities, which is what the version of air-sea battle

you don't like includes. And you've sort of said we need to be careful about that. Then the other thing you could so is to horizontally build your partnerships, jointness and combined capabilities with allies, which we're doing with Japan, with the defense guidelines review, with the Philippines with this new access agreement, and they're doing with each other. India and Japan, Australia and Japan, Viet Nam, Philippines, all with Japan and each other. But the Chinese think that's containment. And when you look at the map and the lights start, you know, blinking from Japan around India that looks like containment. So what do you think about the role of allies in terms of deterrents, dissuasion? Jim made the point, completely agree, we need to disabuse our friends in Beijing of thinking we're going to be done with alliances. That's fundamental to the stability landscape of the region.

But alliances -- there are alliances and then there are alliances. So should we be careful about how we build our security partnerships with countries with allies like the Philippines or partners like Viet Nam? Should we be careful about defense guidelines review with Japan? Collective self defense, should we be encouraging that to maintain a stable resolve or is that scenario also where we need to think about reassurance?

MR. O'HANLON: And here you're asking the academic defense scholar when we have two of the country's best diplomats on this very topic sitting -- so I'll be brief and then hope I can be corrected by you two for anything I get wrong. But I would first of all say that it depends on the country what should be the next step. And for example with Viet Nam I think it would be wonderful to start doing some more peace operations with Viet Nam and with China. In other words we should look for opportunities where -- whether you call it air-sea operations or some other broad rubric you can try to

foster military-to-military cooperation in areas that we've seen with the Gulf of Aden counter piracy mission with the U.S. and China already. We could imagine the next step. It's one of the reasons -- don't blame Jim for this -- but it's one of the reasons why I actually want to see U.S. forces in Congo in the UN peacekeeping mission because there's an opportunity there. But that's not the main reason why I would do, don't worry. And I'm not going to suggest this in the book.

But more generally humanitarian assistance is very much in the book and it is on PACOM's agenda as you know and it's something that the U.S. and China have an enormous shared interest. I mean we've seen these terrible tragedies in East Asia in the last decade, some of which each of you has had to help our allies deal with and other countries as well, like Indonesia. We've got to be ready potentially for even bigger thing. There's no -- we haven't yet seen the logical extreme of where these tragedies could necessarily go. And you're going to need the capacity of big Navies and big Armies potentially to help with things that could be a factor of 10 bigger than the Philippines typhoon or the Japanese tsunami in theory. And so that's one more area where I would look.

I realize I'm getting a little bit astray because you're probably more thinking about Korea, Japan, Taiwan, Philippines. And again it's got to be case by case. One thing we say in the book and here I'll just tee up the issue --Jim's probably going to want to say more on this -- Senkaku Island Dispute. We tried to develop a range of possible options. In this book we can't say and shouldn't say that if there were, you know, an unprovoked Chinese seizure of one of the islands overnight, tonight that the American/Japanese response should be X, Y or Z. We don't try to say that. What we do say is here's a range of tools and depending on the circumstance you may want a more

indirect approach or a more direct approach. And I think that's the appropriate level of generality to keep this at for the moment.

MR. STEINBERG: Just, I mean -- my short answer of course is yes we should do it but it's important how we do it. So having these relationships both in the (inaudible) and between the spokes I think it's all for the good. But again going back to our experience with Taiwan I think we've learned some ways of doing these things. And so I think it has been sensible under the TRA that we have tried to identify a set of capabilities that we could provide to work with Taiwan on that our defense -- understanding that nothing is purely defensive but some systems are more destabilizing than others. And I think it's been smart that we have not given Taiwan long range surface to surface missiles that could attack the mainland deep into China. That would be destabilizing. And the forces that we have focused on, air defense, missile defense and the like are the things we should do.

So similarly as we engage with our allies and they with each other we need to think about how we strengthen our capabilities to resist incurrgents to resist aggression, whether it's with Japan or the Philippines or Australia as we're doing now. But to do it in ways that can address what might be the anxieties about China to again undercut this narrative about the rebalance being a threat to China. And I think it is possible. It's that you're never going to fully dispel the concerns but I think if you're transparent about what you're doing, if you're engaged in a dialogue and explaining to the Chinese side why you're doing it while you're doing and sensitive to the choices that you can make. What are the capabilities? Why are you placing there? How does it fit into a strategy which stabilizes the region, that provides reassurance and security to our friends without unnecessary creating a sense of threat on Chinese side?

Your never -- the one important message of this book is your -- this is not a problem that can be solved. It's a constant dynamic tending to which will always require a lot of management and will always be both sides having a certain amount of doubt about the other's intentions. But the more deliberate and more explicit we are about this the greater chances are that we'll manage this inevitable competition in ways that both avoid a very damaging and costly arms race and should a crisis emerge reduce the chance that we will create a conflict where -- and lose a chance to deescalate a crisis.

MR. O'HANLON: You and I have had this discussion separately but eth allies get a vote and the allies hedge too. And that can be a process that can be as destabilizing as us hedging. And so it makes a lot of sense to be more joint and to be reassuring to the allies and to have dissuasion and deterrent be credible to them. I think that's an important corollary to the theses.

MR. STEINBERG: And ought to be an important corollary for China as well. And I think as you know it's not -- and we've been making -- both of us together and separately for a long time that part of the persuasiveness of this approach is to try and get each side to think about what the alternatives are. And if we don't do something like this exactly as you say, I mean -- and we've seen this in the debate about Japan, and so I think that, you know, the key here -- and I'm happy again I've got -- and this one speaking -- sorry for Mike; we have slight different focus on this one, that I'm quite comfortable should the Japanese people choose to move to a more traditional definition of collective self defense because I think that fits better into this kind of structure that we're talking about. But as Japan moves in this direction it will be equally important for Japan to be clear about what the limits are and to provide some reassurance about how as it moves in this direction, as its advocates sensibly say how this will increase stability

in the region and now create more instability.

MR. GREEN: Right, right. Agreed. Why don't we take some questions?

MR. STEINBERG: Well, first -- can I just say one thing further?

MR. GREEN: Yeah, sure.

MR. STEINBERG: Because I see my good friend Nick Lardy here and I want to say one more thing about the book. The one thing that you will notice if you look at the book is we don't talk a lot about economics in the book. And I want to just say why we don't talk a lot about economics in the book. Not that it's not important, it's enormously important and while we've talked a little here about the fact that some look to economic interdependence as a source of stability it's also true that economics is a source of friction in the relationship.

There are two reasons why we don't focus on it. First neither of us are economists and Nick can write the next book. But second it's our belief that under the best of circumstances the knitting together effects of economic interdependence will not be successful in preventing conflict if the security side isn't addressed. And under the worst of circumstances, no matter how bad the economic conflict, if we manage the security differences those economic differences can be handled. And so this may just reflect the fact that we're both kind of security guys but I think the motivation was to say that this is a necessary, not a sufficient condition but a necessary condition to maintaining long term stability in the relationship, not at all to diminish the importance of all these other factors. And indeed, you know, ideally if we're successful and this strategy is adopted and works it actually opens up the playing field for more cooperative work together on issues that are of common concern, whether it's environment or public health or all the other things that we should be working together on and which there aren't the

same kind of inherent tensions.

MR. GREEN: It does -- the, you know, economics and security are always definitely but it does cause me to think about my experience in the NSC, probably your experience in the NSC which is when you have an NSC meeting and you're talking about these security issues, who's at the table? The Treasury Department. And maybe one of the confidence building measures we need to encourage is that the central military commission needs some economic representatives. (Laughter) So then when you're talking about the little warrior thinking about somebody can point out how much it will cost and what it will do to your markets.

All right. Let's take some questions. You mind if I call on people?

MR. STEINBERG: Please, please.

MR. O'HANLON: Please do.

MR. GREEN: Right -- and you have microphones. So right here in the front.

QUESTIONER: Thanks very much. And thank you, Jim and Mike, for a classically great discussion. You speak early in the book about four factors, national security narrative and the strategic culture. I won't redefine for those people but here's the question that I have and it has do with the third component which is domestic politics. I'll address the question to Jim but I'm interested in your -- both your reactions. You've sat in three of the major chairs running policy planning, deputy of state, deputy of the NSC. And the question I have is given the message of the book as I understand it -- I'm about a third of the way through it -- this is something that we need to be at, we need to be at it consistently, we need to be at it over time, this is long range thinking, et cetera. Given our domestic politics and given the fact that so much foreign policy is really driven

by the President and his or her national security advisor and team, what are the practical possibilities of achieving what I think you outline in the book in apolitical system that seems to me ahs significant sort of speed bumps in the way? And given that you've been there in two different administrations I'd be interested in your take on it.

MR. STEINBERG: Thanks, Gary. You know, I think for me one of the reasons why this is such an attractive approach is precisely because it's a way to get a handle on both sides in the domestic politics. Because part of what drives the domestic politics is when -- I'll say looking from the U.S. side towards China but the same would be true looking in the other direction -- when the Chinese do something which looks provocative from an American point of view, whether it's developing new anti-ship ballistic missile, or whether it's testing an ASAD, or whether it's expanding its patrols and it's military operations to the South China Sea, it triggers a domestic debate about what's China up to and how are you responding to that. And these provocative or apparently provocative things stimulate in the domestic milieu a desire to respond to that and creates this downward spiral that causes the relationships, as each mirror images the other.

Conversely, if each side -- let's start with the Chinese side -- takes steps of reassurance, of restraint, of transparency, that show a moving away from ambiguous or aggressive looking behavior. It changes the dynamic domestically. It allows a president to say look here's a case where they backed off from doing something that we said was worrisome to us, or they've done something that is reassuring for us. That allows you to engage the domestic population, the polity in the United States to say here's something concrete that's going on that would lead us to believe that it's worth continuing to take steps to try to improve the relationship. It's the absence of these

concrete steps by each side that's leading the skeptical voices in each society to say look these guys are bad, dangerous, aggressive, threatening. And we need to be able to break that cycle, not just as this quiet discussion between leaders but between the public in both sides. We need to do things I think that help Chinese leaders credibly say oh, the rebalance is not designed to contain and they need to do things that say that our rise is not designed to kick the United States out past the first island chain or out of the Western Pacific entirely. The more each side does concrete things the more credible that becomes in the domestic political debate and the more successful the kind of the virtuous cycle becomes.

MR. O'HANLON: If I could add just one word. We have to sometimes give ourselves credit as the United States because we say we're strategically impatient, we oscillate back and forth with the partisan ebb and flow in Washington, but U.S.-China policy partly because of the excellence of practitioners like that two gentlemen I'm privileged to share this stage with has been to some extent at least an exception. Or maybe there's more consensus in foreign policy in general than we like to admit in our partisan debates. But certainly on U.S.-China policy there was a sense of engagement combined with hedging. That word that we have raised with some concern today. The problem is that times are changing and that hedging is getting to be either more difficult or more potentially dangerous than it was before because sustaining American outright supremacy, not just superiority but complete dominance of the littoral and maritime areas of the Asian Pacific is harder than it was before.

So two things. We can do pretty well with continuity but the old formula isn't necessarily going to be the one that gets us there. We're going to have to rethink the basics to have a path going forward.

MR. GREEN: You've inspired me to ask you a question. What's good enough? If primacy in the first island chain in the Western Pacific isn't good enough anymore what is it? Is it denial, is it -- what's the -- what can we live with in terms of our strategic position in the Western Pacific? Is there a line below -- you know, at some point you can reassure, you can avoid conflict, but if suddenly you've lost something that's really of vital national interest then you need to rethink the strategy. I'm wondering that that "is" is.

MR. O'HANLON: It's a really hard question.

MR. GREEN: Yes.

MR. O'HANLON: So I'm glad Jim can correct what I what I get wrong.

MR. GREEN: Final exam question for my Georgetown students. They're all suffering right now.

MR. O'HANLON: Yeah. Are any of them here right now?

MR. GREEN: No, they're all home trying to --

MR. O'HANLON: Okay. I'll try them tomorrow.

MR. GREEN: No, those were questions, not students.

MR. O'HANLON: I would like as an American -- well, the book was remember written with the idea we're developing a concept that can be applicable for both countries we hope. But still it was written by two Americans. As an American but also as a strategist I would like the shifts in power to be gradual. And I don't think we can sustain the kind of supremacy we had before. I can't really give a direct answer to the question you pose. If I saw a meaningful distinction between 600 billion and 800 billion in the U.S. budget in terms of the invulnerability of our bases or the inherent ability to win and all scenarios against China I would have to think hard about, you know, the answer.

But I don't -- I'm not good enough at defense analysis. My students in defense analysis know that defense analytical tools are often not good enough to give a sufficiently precise answer to your question. So the only thing I can feel fairly comfortable about saying with confidence is I want the changes to be gradual. I want to give allies and neutrals a sense of reassurance, give China chance to feel out what it means, what it's trying to accomplish. You guys may feel differently. I don't know that the Chinese even have a clear sense of what they want to accomplish with their newfound power. They want greater strategic space and influence. I'd like to give them time through our policy of reassurance and resolve to find a relatively benign way to achieve that. And the one thing I'm confident of it's going to take time and it's going to be easier if there's no sense of imminent American decline combined with astronomical and rapid Chinese rise. So that's what I'm most concerned about is the pace of change.

MR. STEINBERG: I describe it in a very -- I completely agree with that but in a more kind of near term way of thinking about this is I want to see us develop a set of tools and an approach which allows us to respond to actions which cross our red line without having to move rapidly and quickly up the escalatory chain so that we can impose costs that are meaningful and will cause the other side to reconsider its decisions and provide an off ramp while reserving the right if that doesn't work to move up the escalatory chain. But I think that what most worries me is that on both sides, particularly because of the asymmetric capabilities and because of these new technologies that we're in danger of having a small crisis turn into an all out conflict very early because we don't have the tools -- sustained deterrents on the one hand without proposing a strategic threat to the other side.

MR. GREEN: And maybe -- I don't see any students in the audience --

so maybe part of the answer it's not about where you draw the line as we traditionally did strategy it's about geographically but it's about not allowing an environment where coercion works.

MR. STEINBERG: Exactly.

MR. GREEN: Yeah. Which -- and you give us - you describe a tool kit that's not just military it's much broader and allows you to escape the escalation.

MR. STEINBERG: Exactly right. That's right.

MR. GREEN: Did I see Bob Einhorn back there? He took off. He had his hand up. Yeah, Ron?

MR. WARREN: Ronald Warren. Thank you for a very interesting discussion. I look forward to reading the book. I would like to get you comments that it seems to me China's been clumsy in the last several years. It's alienated or at least put on the edge a lot of countries in East Asia perhaps unnecessarily so. Thus perhaps things are not quite as serious as far as the response. And you might comment on the President's recent trip to four East Asian countries which seemed to go well. They welcomed it and I think they're deeply concerned about China's future and activities.

MR. STEINBERG??: You know, it is striking because after roughly a decade, beginning around 2000 to around 2007, 2008 we were all talking about how skillful China was at soft power and, you know, memories of Hu Jintao's visit to Australia where he spoke to the Parliament to rapturous applause. And then all of the sudden things kind of got pretty scratchy around 2008, 2009. Again because part of our premise is you can't really know why they decided -- I think it's hard to know for sure, but I think -- if I had to guess, and this is just me speaking personally, I think that the financial crisis of 2008, 2009 led some people in Beijing to draw a conclusion that the United States was --

had hit a crest and was facing a near term serious decline and that the balance of power was shifting very rapidly. That China had been relatively immune to this, United States was badly weakened by this. And I think there was a bit of hubris on the Chinese side. My sense is for all the reasons you said and then following that the actions in the South China Sea at the Hanoi ARF, you know, where they just seemed to be quite pushy. But the reaction back and the fact that they saw classic balancing taking place I think has caused some rethink on the Chinese side which his good because I think it then opens the opportunity as they now have some more realistic understanding that just mouthing the words of peaceful rise is not going to be reassuring in the face of actions and the development of capabilities which are at best ambiguous and at worst seem quite threatening to others. That I think allows this message of their need to reassure and to take concrete steps to have more traction.

MR. GREEN: But our Chinese friends blame it on us. So how do we convince our friends in Beijing that we're reacting?

MR. STEINBERG: Well, but that's the point is that -- and so much of the dialogue that you know is that each side says oh we're just reacting to the other. That's what the hedging problem is all about. What we basically have to say is time out. You will believe you're totally defensible, you're virtuous. And this is the point, Gary, about the competing strategic narratives, each side deeply believes in their own strategic narrative which sees themselves as a benign hegemon, right. We are absolutely the benignest of all hegemons ever, just ask any American. We mean no harm to anybody. We've produced global public goods; the world is a safer, better place for our being the dominant power. But I think if you scratch the surface of most Chinese -- and now not even the surface. If you read Xi Jinping's China Dream he says look when we were

powerful the world was peaceful and safe and the Ming era and yes, people were, you know, tributary states but we never asked much of them. All they had to do as bow low and then everything would be fine. We never imposed our will. Admiral Jonkar travelled around the world and never conquered anybody. We just have to accept that each believes themselves to be benign and the other potentially hostile and just move on from there and just understand that we're never going to reconcile these two narratives but there are things that we can do that don't require us to believe in the other guy's story and still stabilize the relationship.

MR. GREEN: Yes, sir.

QUESTIONER: Hi. Yeah, just come back from a month's holiday in China so I saw the dialogue on both sides passing each other, everyone telling his own stories. You know, I have a question about the word -- I mean is hedging the right word because if you define hedging it seems to me you feel sort of containment element. So is that right? So which means holding China down or, you know, keeping U.S. supremacy. And is that right? I mean you said, you know, both would accede incentive not having an arms race but do you think those military industry or even the pentagon believe that? Because I remember back in 1993 when I visited Camp Smith they always talk about China's threat in South China Sea, here or there. So the military's great at justifying threats everywhere so they've got to have a great budget. Thank you.

MR. STEINBERG: Well, all militaries do that and it's understandable that they do that. But that's -- I mean that's the most -- if there's one important idea in the book above all which is one that seems a bit counterintuitive as Mike said earlier on is that hedging seems just well, of course we're going to hedge. I mean that's what you all do, right? Rainy day, put away a little money, all that stuff. But the problem with hedging

in strategic relationships is it can be self fulfilling in the worst sense. And so you have to find a way to respond to the instinctive hedging which is to deal -- is to be prepared for uncertainty and unknowability without triggering what the IR people call a security dilemma. And that is the core motivation of the book. Is there a way to get the benefits that are ascribed to hedging without triggering the security dilemma and this downward spiral? And that's what we immodestly feel we've begun to try to crack is an approach that does that. It doesn't create all the bad sides of hedging but also doesn't lead you imprudently and naively trusting these assurances of the other side. Because that's equally unsatisfactory. And so that I think is the core strategy is to recognize that if you find a way out of this dilemma between naïve trust of the one hand and counterproductive hedging on the other hand you have a better chance at managing a relationship with is inherently competitive and inherently uncertain as to what the intentions are on the long term side but still can be stabilized. And that, you know, it's an ambitious goal but I think that's what's motivated the writing of the book.

MR. O'HANLON: I'll just put it one more way. There are interpretations of the word hedging that we could probably live with. The problem is that it's become identified with a certain way of thinking for a long time about American policy towards Asia which is maintain whatever level of military preeminence and supremacy we require in order to make sure that in the broader maritime domain of the Pacific we can essentially have our way. The problem is that's just gotten to the point where it's not sustainable at the same level of technological robustness. We still favor maintaining American presence and strength throughout the region but we don't think that -- or at least I don't think that quite the same level of dominance is going to be achievable based on trends in technology and power. So if hedging means okay, you have a few more

ways to repair your runways so that when they get attacked by the other side you can fill in the holes more quickly. I don't have any particular problem with that type of hedging.

MR. STEINBERG: I just say, I mean part of the reason I resist -- because I think Mike's exactly right -- but we call -- in the book we talk about resilience, you know, which is the --

MR. O'HANLON: Exactly.

MR. STEINBERG: -- idea here which is ways to make it so that you are not forced to escalate quickly and preemptively. Resilience is a very powerful tool here because it allows you to the space and time to respond prudently in ways that allow you both to be effective but to deescalate in ways if you don't have resilience. So I mean part of the -- you know, you remember the good old days in the Soviet Union and the window of vulnerability and all that stuff. People were nervous because there was just sense that there was this abstract possibility of a bolt out of the blue or an action that the other side could take that would render you hopeless and paralyzed and having to cry uncle before you could respond.

And that -- again I stay away from the "h" word, I just don't like it, but you definitely want to avoid being in that position because it gives you more options, it gives you a range of possibilities in terms. And the beauty of that is that that is far less threatening to the other side. There's some threat. If you can survive -- and you're obviously surviving to fight the next day, but it doesn't require you to respond preemptively or early in a crisis. You don't need to launch on warning, you don't need to do the things where you have no time. And in a world of instantaneous and nanosecond threats like cyber this is a big concern because if you are -- if you perceived yourself under a massive cyberattack that was going to knock out your command and control

you'd have to respond, right. And you'd have to respond in ways that would probably be pretty aggressive. So what we're trying to get at is how do you develop those responses and tools that allow you to respond effectively but not before you've been able to think through the range of options.

MR. GREEN: So when you use words "engaging" and "hedging", hedging implies to a lot of people I think a kind of almost passive keeping your powder dry. So in the cyber world hedging might be interpreted as meaning if you were worried about cyber attacks you prepare a counter offensive capability in cyber. But really reading the book what you're also talking about is shaping. So you're not just sort of passively -- when there are things that are problematic you use dissuasion and you make it clear that it's going to not be worth the effort. When there are things -- areas for reassurance -- you described it earlier as very dynamic. And this requires a lot of effort from the U.S. government. It does not allow you to, you know, as Li Kuan Yew likes to say pretend that international relations is a DVD you can turn off -- or turn off Asia while you go deal with Korea. You're talking about a very active level of involvement from the principals because it's so dynamic. You're not just storing chestnuts for the winter, right?

MR. STEINBERG: Absolutely. And it's -- it is -- but, you know, the stakes are so big that if you ask yourself what would you want people to invest in, you know, this is the thing you would want to invest in. This is -- you know there are other things. I mean if you think about the long run big threats many of them are not state to state at all, it's, you know, global public health, disease, things like that which I would also like to see climate change. But in terms of the kind of traditional international relations, day to day management, this is the big enchilada, the is the story that I think will broadly shape certainly the security in the region and perhaps more broadly the common. So if

there's one place you want to have that kind of hands on management and have each side in this dynamic -- and the good news is, you know, we've begun to set up these structures in U.S.-China relations. The problem is we haven't been dabbling with the content yet that they need.

MR. GREEN: Yes, in the back. You get a microphone, sir; yeah.

QUESTIONER: A simple question, in American we believe in the Bill of Rights, the Constitution, all that. To this day call me naïve, what do they believe in, the Chinese? What do they believe in? I mean I see like they're more capitalist than we are, very raw capitalism. And then you have the communist party that basically is about control. What do those people believe in, their value system?

MR. GREEN: Let me add onto the question by asking, you know, past efforts at detente with the Soviets in the Cold War or at moving for example from Nixon's visit towards normalization. In the past these efforts to create the kind of reassurance and stability that you're talking about have often been undone by values issues, by human rights, by democracy, by -- and you can imagine questions in Tibet, Shin Jong, and regime type or these sorts of issues being an uncertainty. Is there a way to make this process more effective by for example incorporating Congress more or sustaining a dialogue -- or we have a dialogue, it's not very sustained -- on human right. I mean how do you -- that's always a factor in the U.S.-China relations and it's kind of a wildcard. Is there a way to incorporate that in the strategy?

MR. STEINBERG: Right, you're right. And it does make it hard to develop, you know, support for things that seem to be positive in the relationship. But I would observe that, you know, if you think about it that even at the height of the debate of Helsinki in U.S.-Soviet relations, and there's very strong opposition of Senator Jackson

and others because of human rights and other things is that ultimately nobody tore apart the strategic fabric. And the important thing to observe from a historical point of view is that after the mid 1960s and notwithstanding the worries about nuclear winter and the like there really was never another crisis where the United States and the Soviets were on the brink of nuclear exchange. And part of the reason was because of the engagement between our two militaries and the beginning of the structure of strategic understandings. First the AMB Treaty then the Offensive Limitations, then the Conventional Forces in Europe Agreements which bounded the competition. And we still -- horrible human rights, values things, correctly. I mean these were fundamental differences between our two societies. But it was actually easier to have those differences in a context where you had at least the sense that it was not going to then translate into all out nuclear war. And so part of what we have to understand is we are never going to be on the same page as the Chinese and we're never going to be indifferent to China's indifference to human rights as we understand it. But we have to find a way to have those disagreements without that becoming a source that then becomes part of the conflict.

So part of the way to get to the domestic political thing is actually to be perfectly free to be as critical as you want about China's human rights records as long as you take the steps you need and to stabilize the security dynamic. And I think the two actually in some ways allow more space for that very honest discussion about our concerns about the Chinese political system.

MR. GREEN: I think part of the difficulties of U.S.-China relations in the '70s was that Beijing assumed that they were -- because Jackson-Vanik never went at the Chinese side on the way to the Soviets. So I take from what you're saying that for this to work our counterparts in Beijing need to understand this will be a perennial part of

what America considers a national --

MR. STEINBERG: Absolutely, absolutely.

MR. GREEN: -- interest, not as just a value but an interest that we're going to pursue constructively but candidly.

MR. STEINBERG: But I mean -- but to be clear it's also the case that we are also not going to launch a war to change the regime, right?

MR. GREEN: Right.

MR. STEINBERG: I meant that's where the break line.

MR. GREEN: Right.

MR. O'HANLON: Understand one very brief on this which almost goes without saying but I think it's still worth staying which is even though we should and can keep up the pressure on China on human rights issues what China has accomplished in the last 40 years is extraordinary by at least my definition of human rights. I was a Peace Corps volunteer in Congo. Thank god for the Chinese they don't have the fate that the Congolese people have by no economic development, no right to even keeping their children alive. The Chinese state has made incredible progress in building up an educational and healthcare system that's brought more people out of poverty than any nation before in history. I think we should not be afraid to say that once a while even though we should also keep up the pressure they can and should do a lot better.

MR. GREEN: Half a billion people brought out of poverty in the last three and a half decades. And part of that was the relationship with the U.S. They were inseparable. So we have a dog in this fight so to speak.

MR. O'HANLON: Well said.

MR. GREEN: Yeah. Sir, in the -- halfway up the middle row.

MR. NIELSEN: Thank you very much. Peter Michael Nielsen, Danish Embassy. There's quite a lot of discussion in town right now about our coming out of the Ukraine crisis, whether sort of Russia will be pushed more towards China or what sort of relationship will form between Russia and China. Is this something that you have been considering as writing your book or what do you -- what is your opinion on that?

MR. STEINBERG: It's not something we talk specifically in the book. I think that the -- there are obviously some areas in which China and Russia's interests coincide and others where they have differences. I think what we've seen over the last six or seven years as some of these abstract notions that people -- many of whom know nothing about political relations, about alignments between two countries and sort of seem like they'd make for a good book title, don't turn out to be that clear. I think the Chinese certainly will take advantage of opportunities to work with Russia where they think it's in their interests. I think it is certainly -- there's no accident that Xi Jinping chose to go to Moscow on his first trip abroad. But I don't think this represents a fundamental alignment between the two. They have many differences, many different perspectives. And the one thing I think is clear is that other things being equal there's a powerful sense as Mike just suggested in China that their dominant priority right now which is continued economic development of the country requires peace and stability and a good relationship with the United States because they certainly can't sustain economic growth or even maintain what they have in the face of a dramatic disruption of U.S.-China relations, not to mention now conflict.

So I think there's a stabilizer there that would prevent kind of a strategic realignment between Russia and China. And you see this even in their reaction to Ukraine which has been lukewarm. I know many of us here would have liked them to be

even more critical of what Russia did and think that would be in China's interest to be more critical. But there's certainly been no, you know, standing and patting them on the back in Beijing.

MR. GREEN: Yes, sir, in the back. Right there with the --

QUESTIONER: Thank you very much. I just have a question about -- well, your European allies. I mean you talked a lot about the situation of your Asian allies and how they should deal with U.S.-China relations but I think you kind of left out the EU which is also a very important power block in this constellation. So I just wanted to your opinions about what the EU can do to kind of stabilize the relationship kind of, well maybe act as an honest broker, something like that between the U.S. and china. Thank you.

MR. GREEN: Do you want the EU as an honest broker between the U.S. and China?

MR. STEINBERG: No thanks.

MR. GREEN: But you do have a role for the EU?

MR. STEINBERG: I do have a role for the EU. But I -- and I would be stunned if most EU countries wanted to be an honest broker in this relationship. First of all we are allies and it would be an odd situation for the EU to be in. I think to be honest, and I've said this in many EU forums, I'm part of many dialogues, U.S., Europe, China dialogues. I think the most important thing frankly is for the EU to take a more strategic approach to East Asia. I've had a chance to talk to Lady Ashton a lot about this and I think she shares the view, but I think that regrettably but understandably because of the distance that there's not the same sense of this strategic problem in Europe that the United States and its East Asian allies face. China's not a military threat to Europe. And Europe is an enormously important economic partner of China. And you'll recall -- and I

know my European friends in the audience will recall -- the somewhat contentious debates we had a few years ago about the arms embargo and the debate in the EU about whether to lift the arms embargo, the Tiananmen related arms embargo on China. The EU can play a very important role if the EU is prepared to understand why this security dilemma is emerging in East Asia and to be part of helping to send the message to China about why it's in its interests to address the security dilemma rather than to rely on everybody's economic dependence to kind of bring them around to their side. I know many in the EU understand that but I think it would be even better if this were a more explicit part of the European strategy and a more explicit engagement between senior officials in the EU and the United States and with East Asians to take that broader perspective.

MR. GREEN: Mike, did you? Yes.

QUESTIONER: Thank you for doing this. When making the speech in CSIS last week the Assistant Secretary Danny Russell said the U.S. is not locked into the unchanged status quo in Asian Pacific and the U.S. welcomes China to participate in the discussion of the rules in this area. And we do see in economic area China was accepted by WPO and having a more voting power in IMF and the World Bank. But in the security area we didn't see a lot of actions. So my question for you is could it be possible that a more inclusive security framework in the Asian Pacific area that could accommodate a rising China be established in Asian Pacific area? Thank you.

MR. STEINBERG: You know, I think -- I would have put it differently because I think the United States has welcomed a more inclusive framework including mechanisms like the ASEAN regional forum and the like and that it's been China that's been reluctant to engage in multilateral discussions of security, the code of conduct in the

South China Sea and the like. So I don't speak for the Administration but I think that generally it has been the view of many in the United States that this would be very important to have in addition to the bilateral alliances which we value a broader framework through the East Asia Summit and the like. And that it would be good for China and everybody to have this multilateral framework because it would ease some of the tensions that exclusively bilateral dealings have. I -- do you think, Mike?

MR. O'HANLON: Not very fair and that's why we also underscore we should be looking for areas of military cooperation. So air-sea operations is partly designed just to be a broader construct than air-sea battle. We still have to do contingency planning the old fashioned way as one element of our military policy going forward with just close allies. But we need to look for opportunities to collaborate more with neutrals including China. And so that's why I mentioned before humanitarian assistance, peace operations not just as easy throw away lines, because we all say this, you know; it's the benign liberal agenda. But I'm trying to give some specificity. For example imagine a humanitarian disaster 10 times worse than anything we've seen. That can happen. We are so populous on this planet now as a species. We have such acute dependence on infrastructure working. There can be a lot of things that are very, very serious that can put more lives at risk than any dispute over, you know, at least localized dispute over the Senkaku Islands or Diaoyudao Islands. And so we should be thinking about these problems as serious problems and areas for cooperation.

MR. GREEN: Last question from me. Having solved this problem what's the next book? I know you've always got a next book.

MR. O'HANLON: I'm going to work on the future of land warfare and I hope very much that U.S.-China scenarios are not part of it. (Laughter) I will be

wondering about whether Russia-China scenarios can be discarded from -- because the idea is to think about where does large scale violence on land, whether interstate or intrastate potentially have a future as we look towards thinking about how to size the future U.S. Army and Marine Corps.

MR. STEINBERG: This probably won't surprise you, Mike, but I've been troubled by so much of the recent discourse about this assumption/critique that the United States is incapable of developing and executing grand strategy. And, you know, I think it's partially -- you know, I want to spend some time writing about what the elements of that would be but more importantly is what it would take to be able to be successful. How do you both accept the institutional limitations that we have, which we have and they're actually -- many of them are strikes, a pluralistic democratic system, alternates of governance and stuff like that, and still think about how a democratic society like ours can have enough, you know, sustained and coherent strategy to be effective in this very complicated world, to be able to execute things like this.

MR. GREEN: Detochfeld said democracies are incapable of strategy. Trotsky said well, you may not care about strategy but strategy cares about you. I think Trotsky probably got it right. There's -- despite our dysfunctionality any major nation state does some kind of grand strategy. Maybe the way we all dance at parties, it may not be pretty (laughter) but it's discernible to everyone else in the system. So it's worth thinking through.

Excellent projects. I look forward to seeing you in six months to (laughter) to talk about the books.

Thank you and congratulations. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016