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WHAT'S NEXT FOR US-CHINA RELATIONS? A CONVERSATION WITH KEVIN RUDD  
A JEFFREY A. BADER MEMORIAL LECTURE

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INTRODUCTION

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FIRESIDE CHAT

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**MALONEY:** Morning. I'm Suzanne Maloney, vice president and director of Foreign Policy here at the Brookings Institution, and I'm delighted to welcome you to this year's Jeffrey A. Bader Memorial Lecture, What's Next for US-China Relations? A conversation with Kevin Rudd. Our late colleague, Jeff Bader, was a leading thinker on Asia and China, advising presidents, engaging with foreign leaders, and operating at the highest levels of American policymaking.

He served across Democratic and Republican administrations in the State Department, the Office of the US Trade Representative, the National Security Council, and he served as the inaugural director of Brookings China Initiative. Just as significant as his policy leadership was his role as a mentor. Jeff Bader consistently invested in cultivating the next generation of public servants and policies, policy thinkers.

Many of today's China scholars, both here at Brookings and across the policy community, cite his example and his guidance as formative in their own careers. His commitment to mentorship enriched America's capacity to understand and respond to China with a diverse and capable new generation. To celebrate his accomplishments and to continue his important legacy, the Jeffrey Bader Memorial Lecture brings renowned speakers to Brookings to inform policy debates and educate the public on the US-China relationship.

We are especially honored today to welcome former Australian Prime Minister Kevin Rudd to Brookings for this year's lecture. Prime Minister Rudd brings extraordinary depth of experience. He currently serves as president and CEO of the Asia Society. Following three years as Australia's ambassador to the United States, he previously served as Australia's prime minister and foreign minister, and has spent decades studying China and the US-China relationship.

Drawing on Prime Minister Rudd's experience and perspective, today's discussion will explore the evolution of China under Xi Jinping, the role of US allies and partners in the Indo-Pacific, and what may lie ahead for US-China relations. I'm thrilled that my colleague, Ryan Hass, who directs Brookings' John L. Thornton China Center and is a preeminent scholar of China himself, with long experience in the White House and at the State Department, will moderate today's discussion. A reminder today that we are streaming and live and on the record. Please join me in welcoming Prime Minister Rudd. I turn the floor over to Ryan.

**HASS:** Well, Mr. Prime Minister, Mr. Foreign Minister, Mr. Ambassador, Doctor-

**RUDD:** Kevin.

**HASS:** Kevin.

**RUDD:** Kevin. Let's just do Kevin. I'm glad you reminded us this was on the record.

**HASS:** Well, don't let that slow you down. You are our third distinguished speaker to honor Jeff Bader's legacy in this memorial lecture. The first was Susan Rice, the second was Mike Froman. You were the first to have sat across the diplomatic table from Jeff, so I think that you may have some additional insights about Jeff and his legacy to share. You are also someone who was very much honored and respected by Jeff and his life partner, Rohini Talalla, who is watching this live from sunny California right now and wishes she could be here.

I want to try to break our conversation into a few pieces to talk about how Xi Jinping and China are looking at the United States and the world where the relationship stands, how allies and partners are thinking about these dynamics, and then looking to the future. Of course, we wanna save time for our audience to pose questions to you as well.

But before we jump into all of that, I want to talk about the reason why we're here, Jeff. You worked closely with him. What do you remember most about him? What distinguished the way that he approached China, his habits of mind?

**RUDD:** Well, thanks Ryan, and to all of our colleagues and friends here from Brookings, and thank you for honoring Jeff's memory. And greetings to Rohini, if you're watching this morning from the People's Republic of California.

And I remember actually going to have dinner with Rohini and Jeff later in his life at their pad in Venice Beach. That was a lot of fun. It was like it was like sort of Woodstock on the beach. You know, it was, and so this remarkable cocktail of a personality, which was down-home and easy, and and I won't say alternate, but, you know, down-home and easy. And with a classic Californian mindset. For a New Yorker, I thought it was kind of interesting. And then you got this serious public intellectual China analyst, China scholar, foreign policy guy.

And so for me, he represents so much about that which is good about America. I think we talked a lot over the years. I think I first met him here, actually. I'd been promoted to the exalted status of being shadow foreign minister back home in Australia, which means nothing except to the person who's been given the job- -because then you think you're really important.

And so I remember coming here for the first time in, in that wonderful room with the round table you've got here, just as you enter the door of Brookings, he convened some local China folks and some local Asia folks to spend some time with me. And progressively, I came here to speak in different incarnations over the years as I rose and then fell through the political ranks.

So, I think for those of us in the hard business of public policy, foreign policy, national security policy, and who take our work seriously, as folks in this room do, I think one of the enduring messages about Jeff's life and work is he had an innate pastoral instinct. And not all folks do. His ability, therefore, to take you, and you young fellas over there seriously, and then see the potential in you and to work with you mentoring plus, was quite remarkable. I wouldn't say unique, but not too many like him.

And so, and wherever you were in life's journey, up, down, and between, and he'd traveled all those places, and those of us in public life have always traveled those places. It's never one perfect linear trajectory. Mind you, mine is. It goes like that. It's linear. Linear in reverse. The, Jeff was always there as a constant and interested in great engagement and the battle for ideas about how you wrestle to the ground the central relationship of the century, which is the US-China relationship, without blowing each other's brains out and without being the party of appeasement.

And so therefore, he was always able to find conceptually, intellectually, that middle ground while having this underlying humanity about him in engaging those around him and bringing people on through nurture. I always liked his stories about how he began his foreign service career from memory. Was it in Kinshasa? And so, so there he is, on his track to becoming a

foreign service guy to work on China, and of course, he's a fluent French speaker. And then off he goes to Kinshasa. So reminds me-

**HASS:** Classic State Department tradition.

**RUDD:** Yeah. Well, when I joined the Australian Foreign Service in the early Mesolithic period, that's the '80s for you guys who never heard of that, by the way. I remember as one of our foreign service intakes, better Chinese language speakers, being told that it would be good for my career development to spend two years in Stockholm. And so that's where I went. So we used to have Stockholm and Kinshasa stories about how this related to the great, greater grand of Chinese enterprise.

Last Jeff story, though, is anyone who could survive their formative years as one of the thousand apprentices of Richard Holbrooke deserves the Order of Lenin, with iron bar and cross. If there are any relatives of Dick here, I'm sorry about that. I loved Holbrooke muchly, but he was the American D9 bulldozer of your global diplomatic efforts.

**HASS:** Yes.

**RUDD:** He got things done.

**HASS:** Yes.

**RUDD:** There was a lot of collateral damage on the way through, and I've been part of the damage from time to time. So when I think of this young foreign service guy sort of working with Holbrooke the Magnificent in paving the way to the establishment of your first mission in Beijing, living in the Peking Hotel for two years, which was, in those days, infested with rats. That, surviving Holbrooke and surviving the rats took a lot of guts. So, so he was the real deal, good human being, and a, and the best and most exemplary representative of the United States Foreign Service and the professionals you produce.

**HASS:** That's a wonderful tribute to Jeff. Another person that you met earlier in your career and have traveled alongside is Xi Jinping.

**RUDD:** Yeah.

**HASS:** How would you describe Xi for those who haven't spent a long time around him?

**RUDD:** Different to Jeff. He's about five ten, dark hair, not glasses. The, Well, I talked to Xi Jinping about this early on, that when I was prime minister, that we'd first met in Xiamen when he was vice mayor. And I was a really important first secretary at the Australian Embassy in what we still quaintly called Peking in the day.

My job was to go down there and prep for a prime ministerial visit to Xiamen, which had not long before been pronounced as one of the four special economic zones, one of the jingji tequ. And so, so I spent a while with this with this guy on the planning. When I reminded Xi Jinping of this much later on when I was prime minister, he just looked at me blankly. He had no recollection of me at all. But he could then broadly reconstruct the Australian prime ministerial visit at the time.

Probably more significantly, when I was PM and he was the incoming general secretary we had him in Australia. And I was able to spend a lot of time with him at the prime ministerial residence in Canberra-- the Pyongyang of the South, Canberra.

The, and and over a couple of days in town, spent a lot of time with him and introduced him to some of the fineries of Australian red wine, Penfolds in particular. It was winter, so it was in front of a fire, in the prime ministerial residence called The Lodge.

What really hit me about the conversation back then was, A, he's a good listener. B, contrary to a lot of the critique that you read of him around the world, he's quite an accomplished student of history world history, Chinese history, and in particular, party history. Not bad if you're an incoming general secretary of the party to know your party history.

And thirdly If you've been around the traps a bit, you met a number of political leaders. There are those who are into the day-to-day management of the task, and there are those who see themselves as men, usually men, of history in the Carlylean sense. And he saw himself as a man of history, taking the party to a new stage, taking the country to a new stage where that fit within the grand sweep of history.

And so, from those early encounters, it struck me that this was no cookie cutter of Hu Jintao or even of Jiang Zemin, but something different. But I'd be wrong to say that I could predict what sort of different, just that this guy saw himself as paradigm shifting in terms of China's future.

**HASS:** And based upon that experience with him and that understanding of his view of his place in the world, how do you think he sizes up the current administration in the United States today?

**RUDD:** Softball, hardball. The, I've been around for a while Ryan. Underpinning his view of the United States is two things, each of which, pardon the expression, are in dialectical tension with the other. I'm an old-fashioned Australian dialectician. There's only one or two of us.

The first tension is this. When he looks at the United States, he still sees the three great anchoring pillars of US power. The power of the US military, the power of the US economy/its technology, and the, and the power of the US dollar. So when you strip away all the sentiment and Hollywood and, you know, soft power and, you know, all that sort of stuff because he's a Leninist, he looks at power. To survive in the Chinese political system, you look at power. Is that guy going to shoot me or not?

And so his training through his father, Xi Zhongxun, who remember, was a military commander during the Revolutionary War and had been purged on a number of occasions by Mao Zedong. His experience with the Cultural Revolution and being on the wrong side of power; he is an acute student of power.

And so the fundamental view with President Trump or with anybody else is his view that this country, whatever its internal debates on a given day of the week-- and you have a few here in Washington, D.C. and across the country, it's a very quiet democracy you have here-- is that they look through the cloud and they look at where do these three matrices of power now stand. That's the first thing.

The second is this. Because he is a Marxist-Leninist, not just a Leninist, he has a Marxist view of history, which is about, you know, the ultimate linear march of progressive forces versus reactionary forces, progressive countries, reactionary countries. The winds of history are now blowing in China's sails as the overall, what the Soviets would have called correlation of forces, moves inexorably in China's direction. That is its power is rising in relative terms militarily. We can all recite the the stats. It is economically from where they were decades ago to where they are now as the second-largest or broaching largest economy in the world, depending on which measure we look at. And the technology stakes, I'm sure we'll get onto later in the conversation.

So, but when Xi Jinping, as you know, as a, an accomplished China analyst Ryan, uses the phrase "The world is experiencing events now that we have not seen in 100 years," that's code language for a Marxist view of history, which says that this unipolar world has, is becoming a multipolar world. In fact, the deep code language, it's become bipolar world, and then a China-led world, that this is happening. And when he looks through the lens of US domestic politics, the fragmentation here, when he looks at American preoccupation with wars and military engagements beyond the Indo-Pacific e.g. Iraq, Afghanistan, Iran, and when he looks at even the regulatory debate here about how do you constrain the AI titans in the valley, the lens through which he sees that is that these represent elements of structural decline. So what's the dialectic here? A deep realist view of the continuing drivers of US power, and parallel to that a, a Marxist view of history which sees the US, the West, the rest in decline.

Remember, though they don't use it as much anymore 'cause they thought it was getting hubristic, 东升西降, the rise of the East, the decline of the West, being in fact another leitmotif of this Marxist view of history.

**HASS:** I think if if supporters of President Trump were in my seat now, they would say, "But what about Greenland? What about Venezuela? What about the weakening of Iran's capacity? Isn't that affecting China's view of the distribution of power in the international system and their ability to exercise influence around the world?" How would you engage with that? How would you help explain to an American audience how that is, how that lands in Beijing?

**RUDD:** Again, let's go back to the power matrix. Unfortunately, Greenland is not in the Indo-Pacific. I don't have to comment on that. The, the but go back to the analytical matrix which these guys have, and remember the calculus the Chinese use is 综合国力, comprehensive national power, and that is both an aggregation of the physical attributes of power that we're familiar with, military, economic, technological, and the rest.

But together with extended power, including your ability to operate with allies So in the Chinese maths, what you call math is the following. That whatever the relativities are between China and the United States in a binary contest, this is infinitely more complex if you add to it the critical mass in the Indo-Pacific of Japan, the ROK Australia, India, albeit not a treaty ally, but one with whom the United States has a strategic partnership through the Quad and NATO which is not insignificant in terms of let's call it the pan-continental front.

And so when China does the metrics, it does them by series of aggregations of China, the US plus Japan, and then so it goes on, plus Korea, plus Australia, plus the NATOs, plus India. So where does that lead us in the logic? That for the United States to sustain a

favorable balance of power into the future, it has no alternative other than to work closely hand in glove with allies over time.

Obviously there have been some frictions of late. And Canada being case in point. But from a realist national security lens, let me ask you this question: Is there any credible threat to Canadian security, national security which arises, which is not simultaneously a threat to the national security of the United States? I mean, NORAD exists. It is integrated. You are stitched at the hip, not just by geography but but once you get the other side of Lake America-- the... It was a joke. The the I think it's called something else. The that there is no conceivable external threat to Canada, which is not simultaneously a threat to the United States.

So if we removed the entire, let's call it political and rhetorical debate about MCA and about MCA Plus issues between Ottawa and Washington, that's the underlying reality. On the Greenland question, I'm pleased to have seen the early emergence of a draft agreement between the United States and Kingdom of Denmark. The Queen of Denmark's an Australian, by the way, Queen Mary. She's from Tasmania. So just wanted to let you all know that.

**HASS:** Duly noted.

**RUDD:** Duly noted. And they met during the Sydney Olympics in 2000 at a bar in Sydney. That's where most things happen. The, King Fred and Queen Mary. Is, I'm pleased to see that we have the emergence of a draft agreement in terms of enhanced US security presence in Greenland but a maintenance of the territorial status quo. And that's been a product of a lot of patient diplomacy between the Danes and various of the Europeans and the Americans. I'm optimistic that'll be translated into reality because that of itself had enormous fracturing potential with the fellow NATOs given the construction of, frankly, of the NATO treaty and the definition of who constitutes the adversary.

If you go to the Indo-Pac, the treaty relationship with Japan and Australia are in first-class working order. That with the ROK has been the subject of some recent difficulties. But again, it's important to look beneath the nature of, let's call it, the political rhetoric and political discourse in both directions to the underlying continuing national security reality, which is the ROK continues to face a near existential threat from those folks in the north.

That's not going away anytime soon. So whatever the bilateral political and foreign policy tensions may be, that underpinning national security reality hasn't changed. I'm heading off to India this coming week. I'm a little out of touch, so I hope to spend time with India's political and policy leadership on these questions.

But we do see evidence of an increased normalization in the India-China relationship, as I'm sure you've tracked as well. But my overall thesis is that when Xi Jinping looks at the lens of the balance of power through a Leninist lens, it is these two sets of calculus. Which is why China, from its own realist lens, has said for at least a generation, that all these alliances of the United States are relics of some Cold War preexisting reality, because China would like to see them all fractured.

**HASS:** So you've helped us look at this from Beijing's view. Can you help put us in the seat of a leader in Tokyo, Seoul, Jakarta, Canberra? What type of US-China relationship is

optimal from that vantage? What do these allies and partners in the region wish to see emerge out of the US-China dynamic?

**RUDD:** Well, let me start with the country I'm a little more familiar with, which is Australia, before I hazard to speak on behalf of Japan and Korea, which will probably land me into more trouble than I, I would necessarily welcome. The bilateral security treaty, the alliance relationship, and the relationship writ large with Aus is in first-class working order, without being self-congratulatory about it from an Australian perspective or even from an American perspective. All the relevant cabinet secretaries, including the president and the prime minister, have open Communications, they are universally positive, including the PM's most recent call with the president a few weeks ago. And against those barometers, it's working well.

On the substantive substrata of it we legislated AUKUS, which is massive. Remember, this is a three hundred billion dollar plus project over fifteen years to buy and then build nuclear-powered attack class submarines for the Royal Australian Navy creating a flotilla of eight-plus boats in the Indian Ocean, which have a capability set infinitely superior to anything else that's on offer in the region. So these are significant assets. And the president said full speed ahead when we met in the bilateral just twelve months ago. When the president said how much he liked me personally.

**HASS:** I noticed that, yeah.

**RUDD:** I just thought I'd get ahead of that curve before you raised it. We're all happy families afterwards, it was okay.

The critical minerals rare earths deal is material. Australia, for those of you not familiar with it, equals the periodic table. It's not because we're particularly bright, it's just we've got a nice piece of real estate. And because it's such an old continent, guess what? Everything's much closer to the surface. That's why it's easier to mine. So it's pretty basic. And then we learned how to dig holes. And we're good at digging holes. And now we're better at filling them in too, so in terms of rehab of mines. So everything you see on the, on the periodic table you guys need, we have.

So being able to craft within the space of three months with the Trump administration that critical minerals and rare earths accord with Australia, they move fast, we move fast, and unlike other such agreements, there is already a pipeline of a dozen plus projects with ten billion dollars plus worth of investments in mining, refining, and plus.

And if you were to project ahead where we would stand by the end of '28 when the, the administration goes to the next presidential elections there'll be a very big hole cut into America's current dependency on China on the rare earths front. But if you add to that what's being done domestically here in the United States and what the United States is doing with other similar agreements around the world in the in the Silicon Alliance and other such arrangements, there's a lot happening in that space which is not just rhetorical.

In our case, I can tell you it's real. And then critical technologies agreement the, the PM and the president agreed on that. The AI investment in Australia across the stack is now thirty-five billion dollars plus US. Not just data centers and compute, but across the rest with a lot, tens of billions of dollars of investment to flow and follow.

And then finally through from our relationship, the, the ability to marshal three trillion dollars worth of investment capital through our retirement funds. We force you to save in Australia, and we have done for thirty-five years, 12% of your income. So that's how twenty-seven million people end up with a retirement savings pool of three trillion.

One in four of those dollars will be invested here in the United States. One in five is currently invested. We end up being one of your larger foreign investors over time because of the size of these funds. In aggregate, they are bigger than the Saudi and the Emirati sovereign funds combined, just to put it into context.

So against all those pillars of our relationship, it's going well. Tokyo, the security relationship is going fine. Economic relationship problematic because of tariff structures other tensions in terms of the original half trillion dollar arrangement which Japan entered into, but they are being worked on effectively. But when I go and speak with our friends in Tokyo, as I've done since taking on this think tank role overall, they believe that they're navigating the relationship effectively.

They have a razor-sharp lens on any softening of US posture in relation to Taiwan, as you would expect, given the earlier statements by Prime Minister Takaichi, which landed her at enormous hot water with the Chinese leadership and remains there today Korea is going through some serious bumps for a whole range of reasons. And and this is going to require really careful management at both ends to bring it back to equilibrium. This, the current administration of President Lee began really well with President Trump. However, I think it's fair to say in the last three to six months, a series of one-off events have cascaded one into the other. But I think the grown-ups in both capitals are working to restabilize because it's in nobody's interest for that to deteriorate further.

And Delhi, Sergio Gore is working hard in Delhi. I hope to see him next week. And and Admiral Paparo is in Delhi next week. The machinery of strategic cooperation between the United States and India rolls on. But I think we need to have a clear-eyed lens on the fact that India, for its own national interests will be proceeding to normalize its relations with China in order to maximize economic opportunities. You look carefully at the border, no major flare-ups in about two years across the Himalayas. Given where we were with Doklam several years before that this is remarkable. Reestablishment of civil aviation links. So there are, there is movement at the station and on the India-China relationship, which people need to factor in. But I know the United States remains fully engaged as well.

**HASS:** One of the concepts that gets discussed a lot in Washington is a concept called allied scale. The notion that America and its partners need to work together to pool resources for advanced manufacturing defense production. How do you think about this concept, and what advice would you have for either this or future administrations in terms of trying to advance it?

**RUDD:** If I was to say there is a single phrase which I think has potential to galvanize pan-allied collaboration across industrial strategy including its technology and manufacturing subcomponents, and given the reality of global markets, it's simply this: with scale, we prevail. With scale, we prevail. As Australians, we're natural poets. We we just make stuff rhyme.

But it's an extension of the mathematics, what I described before on China's calculation of comprehensive national power. If you add the critical mass of the Pan-Asian democracies in the economy, in trade volumes, investment volumes, and also frankly, technology footprints,

R&D footprints role in the Indian democracy, role in the NATO democracies, at scale, you prevail.

China has learnt this through its own national experience. If you have a market of one point four billion, at scale, you prevail. You add to that China's export markets, at scale, you doubly prevail. Look at the f- look at what's happening with European manufacturing at the moment, most particularly in Germany.

So that's at the conceptual level. And what's happening at the operational level? What I do see under the Trump administration is efforts in various domains of the defense industrial base, the naval industrial base, the submarine industrial base to integrate and to produce at scale across multiple geographies.

In the case of Australia, for example, I can point to individual weapon systems where for the first time we are now producing at scale elements of our rocketry which hitherto we'd simply import lock, stock, and barrel from the United States. This is about supply chain resilience. It's also about supply chain resilience within theater.

It's also about being able to produce at scale. The further factor on that, again, just from an Australian lens, is in the AUKUS arrangements, it's not just about subs. There is this thing called AUKUS Pillar Two for the non-aficionados. AUKUS Pillar Two is what? Its mission statement is to create a seamless defense science, technology, and industrial base between the United States, United Kingdom, and Australia.

That's the headline. What's the materiality of that? In the case of the United States, to so reduce FMS and ITARs controls across what we produce in Australia, that it becomes increasingly seamless, leaving out weapons of mass destruction. We're not particularly interested in building weapons of mass destruction. That's not our shtick. We still adhere to the Non-Proliferation Treaty. I just thought I'd throw that in. And the Brits similarly.

Now, if through that AUKUS Pillar Two arrangement, you could therefore grow it over time to in-- to make it JAUKUS with the Japanese, even CAUKUS with the Koreans and I won't even stretch the vocabulary in terms of others then you can see where this can go.

So when we look to the whole new world of unmanned systems and unmanned platforms subsea, on the surface, in the air, and on land, where I see manufacturing now proceeding at scale and industrial manufacturing at scale, it is across all these geographies. And frankly, that is critical because it creates redundancies, it creates more robust supply chains. It enables us to innovate across the allied networks, and that's now happening.

**HASS:** That's great. That sounds like a an optimistic appraisal of where things are pointing. One issue that has become very prominent recently is artificial intelligence the United States and China both have leading capabilities in this space.

What's your latest thinking on how this technology is going to relate to how the relationship between the United States and China develops? What would you like to see happen between the United States and China as it relates to AI?

**RUDD:** Well, I'm a surrealist about these things and it's two things happening at once.

First, when President Trump says whoever wins the AI race wins, he means it, and the US system, I believe means it. And frankly, if you were to line up Silicon Valley and the Mag Seven, most of them mean that as well. Most of them mean that.

If you go to the parsing of the Chinese official language on these subjects, and then you wade through, you know, the layers of official speak and then get to its guts does the Chinese-- do the Chinese believe they're in a binary AI strategic race with the United States to win this race? Absolutely. They're Leninists. They've been at this race since 2017 when Xi Jinping famously produced the States Council circular of that year proclaiming this as the revolutionary technology which would reshape civilian and military industrial complex. So let's just, you know, not pretend that one side is holier or less holy than the other here.

There is a race on across the stack, and if you were to do the competitive analysis of who's winning, depends what element of the stack we're talking about. On compute and chips the United States lead in advanced semiconductors is in the order of about five years. On frontier models, five months. On diffusion, China's way ahead. So this is-- That is in terms of diffusion into the real economy and people and firms being taking up the productivity derivatives which flow from earlier AI application. And also in terms of global AI infrastructure, because of China's overriding advantage in open source, open weights models being inexpensively and generally distributed across the world, and not just the Global South, but the Global North as well. There is something of a replication of the early 5G phenomenon in a different domain of technology where China is realizing a early leader's advantage in the marketplace.

So that's the nature of the comparative world that we're operating in and its dynamic. The paradox is is putting back on the dialectical hat, is that both these-- In this two-horse race globally, and it is, it's China and the United States, and in the far distance, there's a bunch of others way back there. But if you put the Mag Seven up against the Red Seven, if you were to include, you know, Huawei, Drupal, ByteDance, and the rest it's a two-horse race. And so-- But you've got all these runners out there running towards a finish line, and then there's a giant hole in the road, and that's called a catastrophic incident through frontier models producing agentic AI capable of acting autonomously against infrastructure systems civilian and military, social and economic of which we have seen early breakout examples.

Or for such agentic AI with those capability sets finding themselves into the hands of rogue states or rogue actors, leaving to one side whether these two great nation states would deploy against each other. Just put that out there. Third country problem, third country actor problem, rogue actor problem, or AI agents going rogue and acting autonomously.

I think until quite recently, my observation reading the Chinese literature and having been to Beijing in the last month myself for discussions with Chinese colleagues on these questions, is that prior to the most recent summit in Washington last week, the Chinese were not exhibiting the same level of urgency that you saw emerging from large parts of the US system, notwithstanding the president's personal view, say, in response to the article published by Dario Amodei from Anthropic and the Chinese response to the same.

So park that over there and look at the substratum of what's happening in terms of the two national security policy communities trying to bring together the technologists with public policy types I think in the US system there's been an early-- earlier internal recognition that this is genuinely dangerous in the categories of risk I described before.

The Chinese have not quite got to that conclusion yet. There's one early indication of some change in the Chinese position. It was that article published by the Chinese Minister for State Security Chen Yixin, about two to three weeks ago now, which categorized this

risk of dangerous AI acting autonomously, then of course blamed the United States for everything. But that's been your eternal lot in life to be blamed for everything. So but analytically for the Chinese system to begin moving to a point of saying there's a problem is useful. But is the same urgency there?

Is the same predisposition towards action there? And if so, then what action against constraining the release of future models and or through the erection of collective cyber defenses against such models? We are a ways, a long ways off that at this stage.

And if there's a footnote to the above, Ryan, it's this: Do we, in fact, as an international community, face more of a risk from open source, open weights models being happily distributed around the world with what sort of testing regime prior to release, we're not quite sure, and with what conditionalities attached to use, we're not quite sure, and for what adaptation occurs post-diffusion, we have no idea, what is then happening out there with those frontier Chinese models which have been released so far and prospectively into the future? And is that a greater risk than the US proprietary models, or do they present simply different categories of risk?

So the taxonomy of this, in identifying the categories of risk, the vocabulary around it the action to be taken, either preventive or reactive to an incident occurring, this is the most important thing alive in this relationship. And thank God the president of the United States and the Chinese president have agreed on a dialogue/negotiation channel on this. The open question is: how will it be now be used?

**HASS:** Well, I expect that members of our audience will wanna follow up on this 'cause I agree it's a critically important issue.

But if I can just squeeze in maybe one or two quick questions before we turn it over to our audience. You've spent a lot of time thinking about Taiwan. On a scale of one to 10 a day, with one being totally relaxed, at ease 10 being losing sleep at night about concern over the possibility of a conflict over the next five to 10 years, where are you on that scale?

**RUDD:** 6.85 to 7.25.

**HASS:** I appreciate that precision. That's good. We can maybe follow up on that--

**RUDD:** That's the shortest answer I've given all day.

**HASS:** --in a moment.

**RUDD:** Mind you, it wasn't hard. All the others have been long.

**HASS:** Second question. Jeff felt very strongly that decisions by leaders in Washington and Beijing affected the trajectory of the US-China relationship. In other words, that that there was human agency involved. This wasn't just a feature of structural forces that was driving towards a predetermined outcome of the US-China relationship. Different people have

different interpretations of the weighting of structural forces versus individual agency. Where would you come out in, in between those two poles?

**RUDD:** Seven in terms of agency, three in terms of structure. And someone who's studied the relationship for the better part of 50 years since I first began studying Chinese back in the Mesolithic period. So, and there's a reason for that. Australia's a middle power, but in my own period in office, I know what happens in a given relationship with a given country when you decide to do that or this as a given decision and what then happens in response in changing an otherwise structural trajectory.

Let me give you one example, which I'm sure very few of you have thought about in this room. What two countries in the world are neighbors with each other who are probably the most dissimilar to each other? Australia and Indonesia. Indonesia is the largest Muslim country in the world, population heading in the direction of 300 million. It will emerge as a top five global economy by mid-century just because of its critical mass. It for a period run as a military dictatorship, now a functioning democracy, and we're a bunch of 27 million pseudo Christians just south of there.

Now, if you're doing a structural analysis, you'd look at this and say, "How on earth could this work?" There's a structural tension which actually inevitably pushes these people in the direction of crisis, conflict and even worse. And there are elements in the early history which actually gave succor to that, except that political leaders in both Jakarta and Canberra decided really since about the 1980s, but in particular 90s, to turn the corner and to frame a completely different political consensus between within both countries and between those countries.

You know, when I see the Australian Prime Minister and his senior cabinet in jam sessions with President Prabowo in terrible karaoke shirts and singing terrible karaoke songs together as they did not long ago, that's kind of where the relationship's got up to. Could you think of anything more improbable?

So does agency matter? Not just at our end, the Australian end, but at the Indonesian end. Yes, it does. They decided to actually head in a different direction. And so that informs my view of what can happen at a much bigger macro level between China and the United States. Ultimately, decisions to, of war and peace lie in the hands of these countries' chief executives

You know, obviously there's the War Powers Act and other instruments here in the United States, but we know how that operates. There's one chairman of the Central Military Commission. Last time I looked, he doesn't need to worry too much about threats from the military himself because those folks get taken out before they realize that they were threats.

Look at the list of recent purges. So therefore, the agency consideration matters. And not just do I know you and do you know me and can we play happy families together? That's useful. One shouldn't underestimate that. I mentioned the jam session before in Jakarta with Anthony Albanese on bass and and President Prabowo on mic. But it's for the leaders and what the Chinese call leader level diplomacy, defining a management mechanism for what I've long called managed strategic competition to reduce the risk of escalation in the direction of crisis, conflict, and war arising from an incident, or longer term, even if not an incident produced accidentally, to reduce the risk of the deliberate calculation of war as well.

Agency matters, and if you don't think it matters, look at Nixon, Kissinger, and Mao. Agency matters. It changed the course of the Cold War. That didn't just happen structurally, though there were structural factors. There'd been a breach between China and the Soviet Union. The great period of of comradely engagement with each other went up in smoke once Khrushchev had had repudiated Stalin. Mao saw that as a parallel threat to himself and his management of the Chinese Communist Party.

But, you know, that took a long while to unfold through the 60s and into the early 70s before you had the likes of Kissinger and Nixon and the rest moving into the, to execute the structural move which was necessary. It would not have happened in the absence of the agency of those leaders. And frankly, to bring us back full circle, part of the agency brigade was Dick Holbrooke, and part of the agency brigade was Jeff Bader.

**HASS:** There we go. I want to turn the floor over to our wonderful audience now. We'll take two questions at a time.

The only thing that I ask is that please end your statement with a question mark and please be brief and add your name to it. We'll start with this woman here.

**RUDD:** I always worry about people who look really enthusiastic about asking questions because they've always been working on it for a very long time.

**AUDIENCE QUESTION:** Hi, my name is Iris Villadares, and I'm studying public relations with a focus on public diplomacy at Florida International University here with the FIU in DC program, the G20 Fly-In. My question is, how can the US and its core allies effectively maintain deterrence and secure our our shared strategic interests without pushing the relationship into an un- unintended conflict?

**HASS:** Okay, good. Deterrence without conflict. And how about this gentleman right here?

**RUDD:** Oh, you want me to take notes? Oh.

**AUDIENCE QUESTION:** Hi. My name is Simon Lu from Georgetown University. I'm studying Asian studies. I focus on China-US security issue related to Taiwan. And my question is, in July, you were mentioning interview with The New York Times, you were saying 2028 will be a risky, highly risky year for Taiwan. And so in your point of view, after a summit, recent summit between the Trump, President Trump and Xi's, does the-- is there any means for the whole Indo-Pacific security issue for Taiwan and the whole, the allies and does TSMC semiconductors manufacturing in Taiwan can be a shield against the risk in 2028? Thank you.

**HASS:** Thank you. Back to you.

**RUDD:** Oh, good. Okay. The I thought it was gonna be a very long memory test. So, we senior citizens find that increasingly difficult, don't we, Kevin Miller? On the deterrence question, I am a big deterrence guy. Why? It's worked. We're very pragmatic about these questions. If Mao Zedong could have taken Taiwan in 1949, Mao Zedong would have taken Taiwan in 1949. The fact that Taiwan hasn't been taken between 1949 and and 2026 is because the risks of so doing have outweighed the benefits to be secured as a consequence of taking those risks. And so that's the nature of deterrence.

And the reason why deterrence is so important as the fulcrum of our national security architecture in the region is that it's the foundation stone for strategic stability, which is in turn the foundation stone for continued economic development across the region. You pull that one out by deterrence failing and war erupting.

Let me tell you, the world changes at that point. Whoever wins or loses any crisis, conflict, or war across the Taiwan Straits. And it's worth starting to paint the mental picture for the United States and the world at large of what the world would look like if a war did erupt. If Taiwan fell militarily, what would the world then look like? How would Japan then respond? How would Korea then respond? How would the other US allies respond? Would that be the end of Pax Americana? What would happen to global trade investment flows there and then? Would we be triggered into a global recession and depression? Quite conceivably.

And so therefore, deterrence is reasonably cheap against the alternatives. It just, however, requires continuing doubling down on the two elements of it: A, capability, and B, intent, in order to give it effect. And so secondly, before folks say, 'Well, that's terribly problematic for our friends in Beijing,' deterrence is a live strategy in China's military literature. Weishe. If you read the Chinese literature on weishe, it's profound, it's deep, it's broad, and it extends across multiple areas of Chinese military and PLA strategy including most particularly PLAN, PLA Navy.

And so this is not an alien concept in Chinese literature. This is not just, you know, a, a foreign imposition. And so the usefulness and utility of mutual deterrence is it becomes a formula which enables us to preserve strategic stability. So that's on the deterrence question. Relatedly on Taiwan '28 yes, I had something to say in the Ezra Klein podcast about that mainly because I see '28 as a particularly dangerous year because of the potential triggering mechanism of the Taiwanese presidential elections in January of that year. Who's gonna win, the DPP or the KMT? Don't know. But let's just say there's a one in two prospect that the DPP are reelected. That's the pro-independence party. The open question is, in the last year of the Trump presidency, Xi Jinping having secured or resecured his fourth consecutive term in October of '27, if it went to the DPP, does that become, in Xi Jinping's mind, a tripwire, a triggering mechanism for the taking of a form of military action against Taiwan?

I think this is an elevated risk, and that's what I've been at pains to point out in my commentary, and it goes back and dovetails with the question just asked before about deterrence. It is the best way through these very difficult questions because people need to think through what is the alternative of deterrence failing, and what would the consequences then be for America, for the region, and for the world.

**HASS:** Very well said. Why don't we take this gentleman right here?

**AUDIENCE QUESTION:** Yes, thank you. My question is on real estate mortgage market. As you know, Australia gave a lot of loans, and they did that whereby reducing liquidity in amount of loans towards the business market. But China, on the other hand, did something you did not do, is that they invested more in businesses.

But Australia, like ANZ Bank, Commonwealth Bank, invest a lot in providing, you know, liquidity towards homeowners. If you would go back, do you think that was a smart idea to do? I mean, what would you, do you have any comments on that?

**RUDD:** Well, this is the last question I expected today to comment on the Australian property market. But given I'm an investor in it, why not?

One, in every economy the property market has a significant role in the ultimate aggregation of total final demand in an economy. Two, that is certainly the case in Australia, and the property market over the last five, 10 years has been relatively robust and contributes a lot to growth although we do have an undersupply of affordable housing.

Three, what I can point to is that China decided to move in exactly the reverse direction six years ago when it enforced its three red lines under Liu He against the property market, which has resulted now in the property market being into its sixth year of not just decline, but active recession. And the construction for most Chinese consumers of negative equity of an order of magnitude.

We wonder why China's private domestic consumption rates have not come up. It's the destruction of Chinese private wealth through the collapse in the property market, which is where most Chinese saved and therefore invest their cash, that went down the gurgler, down the S-bend, down in, in rapid fashion. And until the Chinese property market restabilizes at a floor, it's very difficult to describe or prescribe the graph which brings private domestic consumption back to normality.

And to the extent there has been any recovery, what Chinese consumers are doing is saving because they wish to be insured against any subsequent crisis in their households, leaving to one side the inadequacy of the Chinese social safety net against something to fall back on if you end up in hard times.

So that's my first set of remarks. Secondly, any economy has to be investing in a balanced fashion against the future drivers of growth, and property is just, you know, one element of that equation. Where Australia, as an advanced economy, needs to do more, is to invest much more radically in the industry drivers of the future. If you're interested, I spoke on this at the National Press Club in Australia about three weeks ago. I outlined seven sectors where this investment should be directed not in a, a top-level design fashion as the Chinese Communist Party would do, but directed in terms of federal government encouragement, private sector participation, and the usual industry policy incentives along the way through. And that outlines where I think we need to have a redirection of our own national economic strategy for the future.

**HASS:** We have about two minutes left, so this gentleman has had his hand up if it's possible to squeeze in a quick question.

**AUDIENCE QUESTION:** Barry Wood. I write the American Dispatch column. Cold War II or managed strategic competition, which is it?

**RUDD:** Right now, if I was trying to answer that objectively, Barry, we are in a form of mutually managed strategic competition where the common underpinning objective is stability. And that is better than the alternative. However, within that frame, even whether it's the Chinese frame or the US frame of what that means, let's take the Chinese frame, constructive strategic stability. If you wanna have some fun, go to the Chinese Embassy website and look at the diagrammatic illustration of constructive strategic stability.

**HASS:** I mean, who doesn't do that?

**RUDD:** Well, you and I do. But we're the... and Nealer, we're the only three mega nerds in the room.

But I tell you what, it's the best rip-off of the NATO symbol that I've ever seen. North, south, east, west compass points. North, this is my way of answering your question, is cooperation is the main pillar, and that's the constructive bit of constructive strategic stability. The eastern compass point in the NATO compass point now purloined for these purposes it is it is bounded competition, that is non-kinetic competition within bounds. The western compass point is about managing differences. You know, truly how, feng shui. All leading to the southern compass point which is strategic stability, the endpoint, the noun for which the other, to which the other adjectives and verbs move. It's a marvelous piece of contemporary Chinese communist cosmology and I commend it to your collective attention.

But the reason I say all of that is not because it's a bit of fun but because within it is the Chinese view that the endpoint to this is stability through managing difference, managing cooperation as well as advancing cooperation and managing bounded competition. However, the idea that President Trump is going to be bound by that elegant diagram put out on the Chinese Embassy website and the elegant new doctrine of constructive strategic stability is, I think, somewhat limited because the President of the United States has a different view of reality.

And therefore, whereas China may be seeking through this new strategic framing to constrain through narrative control the future freedom of operation of US political and policy action, knowing a little bit about President Trump myself, I don't think that's gonna have a constraining effect.

So, but I don't think we're yet into Cold War 2.0. That would lie some ways off. Remember, there's still a lot happening in trade, less happening in investment, not much happening in technology. But the levels of engagement now still between China and the United States are of a different qualitative order of magnitude than we saw in Cold War 1.0 between the United States and the Soviet Union. So we need to be careful about assigning descriptors which don't reflect the dimensions of the operational reality yet.

**HASS:** I think those are wise words to end on. Thank you so much Kevin, for lending your wisdom, your insight, and honoring Jeff's legacy by being here today. If I could ask our audience to just hold for one second, we need to get this man quickly into his next event.

And so we'll get him out the door and then wish you all a wonderful day.

**RUDD:** And let's honor the memory of this truly great American and great American diplomat and product of the United States State Department, Jeff Bader.