SPEECH

# America, China and the ‘new model of great-power relations’

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# AMERICA, CHINA AND THE 'NEW MODEL OF GREAT-POWER RELATIONS'

CHECK AGAINST DELIVERY

In June of this year, I gave a speech on "The New Model of Sino-US Major Power Relations" at the World Peace Forum in Beijing, China. In that speech, I tried to describe the basic characteristics of this 'new model' of relations, the reasons for thinking that it could be achieved, why the effort might fail, and what steps could be taken to increase the likelihood of success.

The speech seemed to be well received by both the Americans and Chinese in the audience. I want to draw heavily from that speech here tonight. Then I want to discuss what really has to happen if the promise of a 'new model' is to be realised. And finally I want to discuss an alternative model coming out of Moscow that I fear may have some attraction for Chinese leaders.

It was President Xi Jinping who first proposed a 'new model' of 'great power' or 'major country' relations. President Obama agreed that the two countries would seek both to develop the principles of this 'new model' of relations and to operationalise those principles in concrete and practical cooperation of mutual benefit to both nations.

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Historically, when a new major power has emerged on the world stage, it has usually resulted in confrontation and conflict between that new power and the existing major powers. The example most cited is the First World War, which most scholars attribute to the rise of Germany and the challenge this presented to Great Britain. President Obama and President Xi want to make sure that China's dramatic rise as a major global power does not provoke a similar confrontation and conflict between China and the United States.

So why do these two countries think they can break the historical pattern? There are several reasons.

First, some of the factors that fueled past confrontation and conflict between major powers are not present between China and the United States. For example, there are no conflicting territorial claims between them and neither country has colonial aspirations. The United States has not tried to prevent China's emergence but has in fact facilitated it through robust trade and investment, support for China's diplomatic entry onto the world stage, and contributing to the stable geo-political environment in Asia. For its part, China has so far accepted the existing global diplomatic, financial, and economic institutions, recognising that

they have contributed to its own economic success and increasing prosperity.

Second, several factors are present in the relationship between China and the United States that were less prominent in the relationship between the major powers of the past. For example, our two nations are increasingly interconnected and interdependent economically, financially, and in terms of trade. This gives them an incentive to resolve disputes without the resort to confrontation or military force. Indeed, military conflict would threaten the very inter-relationships on which the prosperity and security of both countries depend. And as China's economy has grown and become more integrated into the world economy and financial system, it has become more receptive to freer trade, more open investment, greater protection of intellectual property rights, and a currency more responsive to market forces. This development has increased the likelihood of greater cooperation between the two countries.

But perhaps the biggest reason to be cautiously optimistic that these two countries can break the traditional pattern is because it is very much in each of their interest to do so. If either country is to achieve its hopes for future security and prosperity, they will simply have to cooperate and work together. For both countries are threatened by a wide array of global challenges on which progress simply has to be made if either country is to remain prosperous and secure.

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The list is a long one and familiar to all of us: a weakened global financial system; inadequate global job creation; growing environmental damage; air and water pollution; potential health pandemics; food, water, and energy resources that are insecure and inadequate to meet increasing future needs; terrorism; proliferation; transnational crime; and narco-trafficking.

These are challenges that neither China nor the United States can solve alone. Progress can only be made if China and the United States work together with the other nations to help find solutions. And traditional major country confrontation and conflict would make such cooperation impossible.

So what are the principles on which this 'new model' of major country relations would be based?

President Xi Jinping has put forward a "Three-Point Proposal" as a basis for a 'new model' of relations: no confrontation or military conflict; mutual respect; and seeking cooperation and 'win-win' outcomes. Not a bad start but only a start. The two countries need to make a concerted effort to develop a set of principles that could underpin the 'new model' and guide relations between China and the United States.

I would offer the following list for consideration:

- Acceptance by the United States of the 'peaceful rise' of China as a global power and its hopes for 'peaceful development'.
- Acceptance by China of a continued US role as a stabilising presence in the Asia-Pacific.
- Mutual recognition that the prosperity and success of each nation is in the best interests of the other.
- Mutual recognition that each nation's success is not 'zero-sum' but 'win-win' — that the success of the United States can contribute to the success of China and the success of China can contribute to the success of the United States.
- Commitment by the two countries that the foundation of their relationship will be constructive patterns of cooperation based on mutual interest, mutual benefit, and mutual respect.
- Acting together to manage areas of continuing difference or dispute so that they do not undermine cooperation or degenerate into confrontation or conflict.

So what will be different under this 'new model' of relations?

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As they seek to define this 'new model', both countries and their peoples have to be realistic. The 'new model' will not mean that either nation is going to surrender its national interest to the other — or give in on every issue. The two nations will continue in some cases to have different interests. They will sometimes disagree. Each will continue to do things the other will not like. They will continue to compete for markets, resources, and influence in the Asia-Pacific and around the world. They will each continue to hedge against potential adverse behaviour by the other. And, the United States will continue to champion human rights, freedom, and democracy because it believes they offer a better life and produce more stable societies in the long run.

But there will be a difference. If China and the US achieve a 'new model' of relations, cooperation will be its dominant element. The two countries will work together with other nations to solve the global challenges we all face. The two countries will try to manage their differences and ensure that they do not derail cooperation and drive the relationship into confrontation or conflict — especially military conflict.

The two nations need to develop a few high-profile cooperative projects of common interest to both countries. This will show that there really is a 'new model' of relations between the two countries and that it is providing tangible benefits to both peoples.

While working on cooperative projects will show the promise of the relationship, the two countries cannot ignore the problems in the

relationship. The two governments must show that they can cooperate not only in meeting global challenges but also in resolving bilateral disputes. The two governments need to identify a couple of bilateral disputes that are ripe for resolution and make a concerted effort to solve them. This will also demonstrate to their two peoples that there is indeed a 'new model' of relations.

What are the potential barriers to achieving the 'new model' of relations and what could cause the effort to fail? There are several.

- A severe economic downturn in one or both countries. To reduce this risk, the two countries need to help each other achieve their respective economic reform programs and thereby contribute to each other's economic success.
- A confrontation and conflict between Chinese and American military forces — particularly their naval forces in and around the Asia-Pacific. To reduce this risk, there needs to be greater transparency about the military plans and capabilities of both nations, more military to military exchanges, and opportunities for the naval forces of the two countries to operate together to build greater mutual trust and confidence.
- A failure to convince their respective publics that the 'new model' is in the interest of both nations. This is why the two nations need to pursue a few bold, high-profile cooperative projects — and to cooperate in resolving one or two long-standing bilateral disputes — to show tangible benefits from the new relationship for their two peoples.

More fundamentally, however, the two nations need to answer some hard questions about their relationship. Only if they get clarity on these fundamental questions can the two countries expect to make progress toward fashioning a 'new model' of relations.

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For China, it needs to answer for itself three questions:

- Does China really want America out of the Asia-Pacific? In a speech in Shanghai last spring, President Xi said, "security in Asia should be maintained by Asians themselves." This statement was read as rather pointedly excluding the United States from any Asian security architecture. Is that really what China wants?
- Does China think it can improve its relations with its neighbours while at the same time increasing the economic, diplomatic, and military pressure on them to give up their territorial claims and compromise their interests?
- Does China believe that the existing international framework that emerged after the end of World War II — the United Nations, the

global financial institutions, the international legal structures — disserves China's interests and needs to be overturned?

I would hope that China and most of its people would decide that the answer to these three questions is "no". Here's why.

*…American military presence in Asia has been a stabilising force, reassuring China's neighbours that they need not feel threatened by China…*

The American military presence in Asia has been a stabilising force, reassuring China's neighbours that they need not feel threatened by China's rising economic and military power and helping to create the stable international environment that China itself needs in order to achieve its ambitious development goals. Take away that reassuring presence, and China runs the risk that its neighbours will increasingly band together against it. It runs the risk of creating the very 'containment' strategy — undertaken by its own neighbours in response to Chinese actions — that many Chinese believe is the American strategy toward China.

As to the second question, China's reaction to the competing territorial claims of its neighbours seems to have changed from one of 'reactive assertiveness' to what might be called 'proactive assertiveness' — taking the initiative to put pressure on its smaller neighbours to abandon their claims in the South China Sea and the East China Sea. This has led several of China's neighbours to reach out to the United States for diplomatic support and to invite and facilitate an expanded US military presence in Asia. To the extent this is a result that China does not want, it suggests that China needs to take additional steps to reassure its neighbours of China's good intentions.

As to the third question, I hope that China will conclude that the institutions of global governance established since World War II have in fact provided a framework that has facilitated China's remarkable rise. China therefore has a stake in maintaining those institutions. China is right to insist that its role in these institutions reflect its increased weight in the international community. But with increased weight will come increased responsibility: to improve the performance of these institutions and their positive contribution to global peace and prosperity for all nations.

This is where I think we all want China to come out on these three questions. But it will get there only after a rich, intensive, strategic conversation focused on these questions. Such a conversation must be conducted between the two leaders of China and the United States and their trusted agents. The Sunnylands Summit between President Obama and President Xi was a good start but that was well over a year ago. What is needed are sustained, intensive, days-long conversations among the same small group of people on both sides every three months or so.

That said, I would urge Australia's leaders to conduct their own separate high-level strategic conversation with Chinese leaders on these same

questions. Because of its close ties to China and its strong alliance relationship with the United States, Australia is in a unique position to help China's leaders better understand their strategic interests and come to the right answer on these three questions.

But to reach the mutual understanding required for a 'new model' of relations with China, the United States and Australia must be prepared to answer the hard questions China is posing to us:

- Are we ready to accept an increasingly powerful China playing an enhanced role on the world stage — perhaps ultimately a role on a par with that played by the United States itself?
- Are we ready to accept that as China's economy grows, it will build a larger, more capable ocean-going navy able to protect the sea lanes from which China receives the energy, resources, and global trade on which it increasingly depends?
- Are we willing to counsel restraint to our friends and allies in the Asia-Pacific region and urge them to make serious efforts to find a compromise with China on issues where China feels strongly that its interests are threatened?

I would hope that most Australians and Americans would decide that the answer to these three questions is basically "yes".

As to the first question, the United States has been a strong supporter of China's entry onto the world stage. China's dramatic economic growth has been fueled in significant part by Western investment in China and China's exports to our countries.

But more to the point, the global challenges that threaten virtually every nation on the planet can only be solved with the participation of China. So the world needs China to play an active, constructive role on the world stage.

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As to the second question, a growing Chinese open-ocean naval capability can be of significant benefit if China is willing to share some of the responsibility for defending the sea lanes that has up until now largely fallen on Western navies. What we need is greater transparency about China's naval capabilities to give us confidence that sea-lane protection is indeed the purpose of its naval expansion. Naval expansion that seems directed at giving China the capability of excluding US naval forces from the Asia-Pacific will give rise to great suspicion and concern not only among the American people but also among most of China's neighbours.

As to the third question, many Chinese see behind every dispute or challenge from one of its neighbours an American plot to create trouble for China. Many believe that if America were not so present in the Asia-Pacific, it would have fewer disputes with its neighbours. I think just the

opposite. But for this reason it behooves both the United States and Australia to use their influence to encourage the resolution of disputes between China and its neighbours on a reasonable and peaceful basis.

This is the more hopeful 'new model' of relations between China and the United States. More troubling is the 'new model' of relations that Vladimir Putin seems intent on fashioning between Russia on the one hand and Western Europe and the United States on the other.

I worry that President Putin in his private conversations with President Xi Jinping is making something like the following argument: that the West does not accept the legitimacy of either the Russian or the Chinese regimes; that the West (led by the United States) is seeking to destabilise and change both governments; that it is this effort that is responsible for the instability and demonstrations in both Ukraine and Hong Kong; that the agents of this Western effort are civil society groups, NGOs, free media, and dissidents; that these "agents of foreign influence" must be stamped out in both Russia and China; and that the United States and its allies need to be confronted at nearly every turn. Support for the conclusion that mine is not a fanciful concern can be found in the fact that Chinese authorities seem to be adopting some of the same tactics against NGOs, the media, and dissidents that President Putin is using. And we are seeing increasingly aggressive actions being taken by both countries against Western countries.

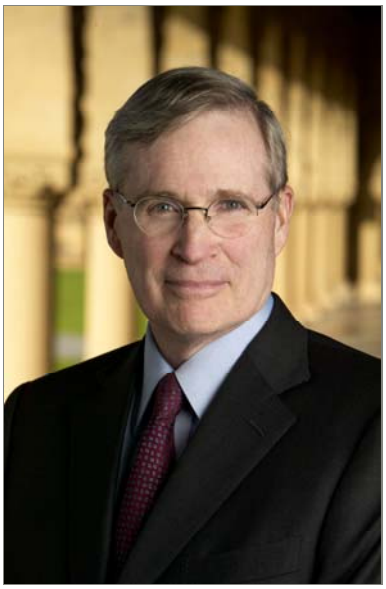
*Going down the road of confrontation that President Putin seems to be pursuing would... jeopardise President Xi Jinping's hopes for a 'new model' of relations with the West.*

I hope that I am wrong about this speculation. It would be a real mistake for China. Its economic ties with Russia, while expanding, are still tiny compared to the trade and investment relationship China has with Europe and the United States. Going down the road of confrontation that President Putin seems to be pursuing would not just jeopardise President Xi Jinping's hopes for a 'new model' of relations with the West. It would also jeopardise the realisation of the economic reform program on which his legacy and the future prosperity and stability of China depends.

See let's get working on the more constructive 'new model' for China/US relations. And on this as on so much else, Australia has an important role to play.

Thank you very much.

# ABOUT THE SPEAKER



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Stephen Hadley is a principal of RiceHadleyGates LLC, an international strategic consulting firm founded with Condoleezza Rice, Robert Gates, and Anja Manuel. RiceHadleyGates assists senior executives of major corporations in overcoming the challenges to doing business successfully in major emerging markets like China, India, Brazil, Turkey, and Indonesia.

Mr Hadley is also Board Chairman of the United States Institute of Peace (USIP). He has co-chaired a series of senior bipartisan working groups on topics such as Arab-Israeli peace, U.S. political strategy in Afghanistan and Pakistan, U.S./Turkey relations, and US policy on Iraq and Egypt.

Mr Hadley served for four years as the Assistant to the President for National Security Affairs from 2005 - 2009. In that capacity he was the principal White House foreign policy advisor to then President George W. Bush, directed the National Security Council staff, and ran the interagency national security policy development and execution process. From 2001 to 2005, Mr Hadley was the Assistant to the President and Deputy National Security Advisor, serving under then National Security Advisor Condoleezza Rice. In addition to covering the full range of national security issues, Mr Hadley had special responsibilities in several areas including a U.S./Russia political dialogue, the Israeli disengagement from Gaza, and developing a strategic relationship with India.

From 1993 to 2001, Mr Hadley was both a partner in the Washington D.C. law firm of Shea and Gardner (now part of Goodwin Proctor) and a principal in The Scowcroft Group (a strategic consulting firm headed by former National Security Advisor Brent Scowcroft). In his law practice, Mr Hadley was administrative partner of the firm. He represented a range of corporate clients in transactional and international matters - including export controls, foreign investment in U.S. national security companies, and the national security responsibilities of U.S. information technology companies. In his consulting practice, Mr Hadley represented U.S. corporate clients investing and doing business overseas.

From 1989 to 1993, Mr Hadley served as the assistant secretary of defense for international security policy under then Secretary of Defense Dick Cheney. Mr Hadley represented the Defense Department on arms control and defense matters, including negotiations with the Soviet Union and then Russia, security issues involving NATO and Western Europe, and export and technology control matters.

Prior to this position, Mr Hadley alternated between government service and law practice with Shea & Gardner. He was counsel to the Tower Commission in 1987, as it investigated U.S. arms sales to Iran, and served on the National Security Council staff under President Ford from 1974 to 1977.

During his professional career, Mr Hadley has served on a number of corporate and advisory boards. He is currently the Chair of RAND's Center for Middle East Public Policy Advisory Board, chair of the Human Freedom Advisory Council of the George W. Bush Institute, a member of Yale University's Kissinger Papers Advisory Board, a member of the Executive Committee and Board of Directors of the Atlantic Council, a member of the Board of Managers of the John Hopkins University's Applied Physics Laboratory, and a member of the State Department's Foreign Affairs Policy Board. Other positions have included past service as a member of the Department of Defense Policy Board, member of the National Security Advisory Panel to the Director of Central Intelligence, and co-chair with former Secretary of Defense William Perry of the 2010 Quadrennial Defense Review Independent Panel.

Mr. Hadley graduated magna cum laude and Phi Beta Kappa from Cornell University in 1969. In 1972, he received his J.D. degree from Yale Law School, where he was Note and Comment Editor of the Yale Law Journal. From 1972 to 1975 he served as an officer in the U.S. Navy.

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