U.S. and China: Stable Great-Power Relationship?

[Music] Graham Allison: In welcoming President Trump to Beijing 12 weeks ago, President Xi Jinping posed an incandescent question. He said, can China and the US overcome Thucydides's Trap? Concluding two days of intense conversation and discussion, the two leaders offered a hopeful yes, announcing a joint effort to reframe or redefine the US-China relationship to stretch beyond what's traditionally been called great power competition to a new era of they called constructive strategic stability.

FEMALE_1: President Trump, I'm very pleased to meet you in Beijing. The world has come to a new crossroads. Can China and the United States overcome the Thucydides's Trap and create a new paradigm of major country relations? Can we meet global challenges together and provide more stability for the world? [Laughter]

Graham Allison: So this is where the conversation started, and for their clarity in recognizing the cardinal challenge between the two most powerful nations in the world, I applaud President Trump and Xi. They understand deeply and in a way that I think most of our populations have not yet quite that the relationship between these two great nations is indeed a classic thucydity and rivalry. In pointing towards a positive answer to the question about overcoming, they've left a lot of white space to be filled in and invited all of us, including folks like the scholars that have been gathered for the last three days here for the China Forum to see what we have to contribute.

For those of you in the audience who didn't have a chance to participate in the conversation, let me simply say that the China Forum is now doing what Susan and Kurt aspired to at the beginning, generating a very rich and diverse and insightful set of conversations about the most important issues. In fact, I want to express my special thanks to the forum for giving me the honor to be the SHR lecturer this year and express my great admiration for Susan, which I've admired for many years, for her scholarship, for her public service, and also especially for her entrepreneurial institution building, without which there wouldn't be the current center and there wouldn't be the current forum. Let me ask you to join me in giving her a thanks.

[Applause] To return to the two presidents' questions, analytically, is it conceivable that nations structurally determined to be the fiercest rivals could simultaneously find a way to coordinate and even cooperate? Could they build a relationship that's strategically stable enough to avoid confrontations that have so often led to war? Operationally, is it possible not just to develop a strategic concept, but to imagine creating operating systems that shape day-to-day behaviors of the two massive governments and their societies? In the 25 minutes allotted to me, I'm going to answer, try to explain why I believe the answers to these two questions analytically and operationally are yes and yes. But I'll also try to explain why I suspect Thucydides would be pessimistic about the likelihood that the parties will escape Thucydides's Trap. He's expecting a war.

I'll explain why he forced to bet, I'd agree with Thucydides. Then finally, as a faith-based optimist, I'll try to offer a thought or two about what we could be doing to help him lose his bet. So since I was reminded by Le Guang that most of the audience tonight consists of the educated public, but not necessarily foreign policy mavens, I'm going to start with three concepts, three big ideas, Thucydides's Trap, a mad world, and the Kissinger challenge. To telegraph in a lineup where I'm going, Thucydides's Trap is the dangerous dynamic that occurs when a rapidly rising power seriously threatens to displace a major ruling power. If Thucydides is not part of your mental library, shame on you, you can download his book for free. It's called The History of the Peloponnesian War. It's a great book. Every other page has an amazing idea.

As he writes famously, it was the rise of Athens, this is back in classical Greece, and the fear that that instilled in Sparta that made the war almost inevitable. Second idea in a MAD world, MAD is an acronym coined during the Cold War to describe the objective conditions in which two nations each have so robust nuclear arsenals that neither can attack the other without triggering a

retaliatory response that destroys itself. So MAD is mutual assured destruction. This captures a brutal reality of the US and China relationship, not just in nuclear terms, but in climate terms where we live in an enclosed biosphere into which each party's greenhouse gases are emitted and on a trajectory in which either can make it uninhabitable for all of us and you can see we are entangled financially and economically, transnationally, and indeed, we've become hooked in the benefits of a deepening global integration.

Think of two inseparable conjoined siamese twins, if it happened to be Susan and me and we wake up that way one day, however outrageous I am, if she gives in to her temptation to strangle me, she remembers that she's committing suicide, and that has a certain deterrent effect. Finally, the Kissinger challenge, one of my great mentors and colleagues. Henry, for the last few years of his life became obsessed by what he called for the need for a new strategic concept, that was his word, in the relationship between USA and China, that would be comprehensive enough to embrace simultaneously contradictory imperatives for the US and China to be both fierce rivals on the one hand and cooperative partners on the other.

So to help us think about President Xi and Trump's discussion in Beijing and the problem they'll be wrestling with just next month when she comes to Washington on September 24th, fasten your seat belts because I'm going to take you on a fast ride through 14 questions, each of which I'll provide a short answer. These begin with Thucydides's Trap and why Thucydides and rivalries typically end in war and conclude by asking whether the US and China could create a geostrategic version, maybe of the Olympics, or if you're a soccer fan of the World Cup, could a long term strategic rivalry in which each competitor does everything it can or can get away with to win as many gold medals as it could serve as a foundation to extend the unprecedented eight decades of great power peace that all of us have had the great good fortune to live our entire lives in?

Question 1, what's Thucydides's Trap and why does it typically end in war? My 2017 book, Destined for War, we use the last 500 years, identify 16 cases in which a rapidly rising power seriously threatens to displace a major ruling power. Twelve of the 16 cases end in war, four end no more. Each of the cases have their own fascinating wrinkles. In fact, if you look at the Harvard Thucydides's Trap case file, you can see a long version of each of these histories and also references to the books that you were able to read about in each particular case. But the common feature in all of them is a shifting balance of power that threatens to displace the ruling power from its accustomed position at the top of every pecking order, thinking a little bit like a seesaw on a kid's playground, in which the seesaw is shifting with the impact on both parties.

As the seesaw shifts, it discombobulates the rivals along four dimensions that we might summarize under four Ps: perceptions, psychology, power, and politics. For the ruling power, the shift means that where it's accustomed to looking down on the competitor, it's now looking eye to eye. Remember the Jake painting in anchorage, or even, my goodness, having to look up a little bit. Psychologically, this is expressed in the question, who the hell do you think you are? You should be thankful for the order that I provided that's allowed you to grow up and to become as big as you had become. Buttons that could previously be pushed or orders given to produce predictable consequences now no longer achieve the desired results. Within domestic politics, would be leaders compete to ensure that no one gets to their right on a vital issue of national security, this being the most vital.

This discombobulation feeds as normal behavior, a normal syndrome, suspicion and hostility in both parties. Magnifying misperceptions, multiplying miscalculations, exaggerating the impact of incidents or accidents. Remember 1914, you can't study it too often. How in the world could the assassination of Archduke in Sarajevo that didn't even make the front pages in the US, have been the spark that produced a fire that within five weeks had the whole of Europe caught up in a congregration? I would say, read about 1914. Two, are the governments in Beijing and Washington correct in identifying the current relationship between US and China as a Thucydides and rivalry? Answer, yes. Three, is China a meteoric rising power? Look at the numbers.

For a while, there was a debate about peak China, but I would say to my students, graph on the x-axis time and on the y-axis amount, and if the slopes are going up, there's a clue. At the beginning of the century, China's economy was one-tenth the size of the US measured in market exchange rates and one-third the size in PPP. Today, it's 85% the US economy by market exchange rates, and 135% by what the CIA and the IMF regard as the best yardstick for measuring national economies purchasing power parity. Never before in history has a nation risen so far so fast on so many different dimensions. Is the US a colossal ruling power? Not since Rome has a nation been so predominant on so many different dimensions of power as the US has been since World War II. Five, what does President Xi Jinping want?

We had a good discussion of that with former prime minister, ambassador, foreign minister, scholar Kevin Rudd yesterday. Are he, Xi, and his colleagues serious about displacing the US as the predominant power in Asia in their lifetimes? I posed that question to the world's most insightful China watcher who knew she the best of any watcher that I've seen. Lee Kuan Yu, the founder and Bill of Singapore. He looked at me skeptically. He had a way of actually, when he thought you were saying something either particularly stupid or maybe just pulling his leg a bit, and he would widen his eyes. He said, of course, why not? How could they not aspire to be the predominant power in their neighborhood? So long before President Trump declared his campaign to make America great again, President Xi had unfurled his banner, which calls for the great rejuvenation of the great Chinese people.

Six, does Xi mean for China to be all that it can be? Excuse me, could you try to persuade him that he should aspire to less? If China to reach half the per capita GDP of the US, how big would its GDP be?

Graham Allison: Compared to the US, do the arithmetic. It has four times as many people. Chinese people are pretty smart. They're pretty hardworking. Why should they be satisfied with half the GDP per capita of Americans? Seven, is US determined to sustain its position as a leading country in the world? I would say, you bet. Do Americans, including me and most of the people at this China forum, believe correctly, I would say, in my view, that US leadership has given us the longest peace, the longest period without Great Power war since Rome? We do. It has.

Graham Allison: In this international order, of which the US has been the principal architect and guardian, the rest of the citizens on planet Earth have seen the greatest increases in their well being in any equivalent period in history. So don't expect Americans to relinquish leadership gracefully. Eight, could Xi and his colleagues reasonably aspire to China's becoming the predominant power globally in the 21st century? Yes. Who's the leading trading partner of most of the nations of the world? Who's the manufacturing workshop of the world? Who's been the principal engine of global economic growth in the decade and a half since the global recession in 2008? Who's got the largest economy in the world? And the answer is China and China, and I can't go on with 20 more questions. Rash gave us a very good bullet version of this earlier today.

Graham Allison: As I study Xi Jinping, who am I repeatedly reminded of? One of my great heroes, Teddy Roosevelt. In the first decades of the last century, as he led the US what he was confident would be an American century. Nine, where will this end? Badly, most likely, in a war, a war that could be catastrophic for both the US and China and for much of the rest of the world. If you want more how war could happen, destined for war has a chapter called From Here to War, five easy paths and takes you down the trail.

Graham Allison: To say it again, it's pessimistic and I think painful, but this is my view. It forced to be, I believe war between Est and China is more likely than not in the next generation. So 10, is war inevitable? No. Let me say again, no. War between Xi and China is not inevitable. In four of the 16 cases which a rapidly rising power seriously threatened to displace a major ruling power, there was no war. Nonetheless, if the best that the two governments can do is business as usual and diplomacy as usual, statecraft as usual, we should expect history as usual.

Graham Allison: History as usual should be a catastrophic war that could literally kill almost all of

us. Destined for war was not written to offer a fatalistic prediction, but rather as a call for us to exercise our agency and strategic imagination to escape through city strap. Eleven, how could exceptional strategic imagination and statecraft help? Again, in four of the cases, extraordinary strategic imagination produced extraordinary results. In the 1950s, 60s, and 70s, most of the analytic community expected that the Cold War between the US and the Soviet Union would eventually lead in a devastating hot war. It was more likely than not to have happened, but it didn't happen.

Graham Allison: Why not? First and foremost, I believe, because of a great blop of grace and good fortune. But also, in the most dangerous indeed we should remember, in the most dangerous crisis in history, the Cuban missile crisis, 1962, JFK, who was facing off with Khrushev estimated that the likelihood that this would end in nuclear war was one and three and even. I've studied this for a long time. Nothing historians have discovered in the decades since has lengthened those odds. But why statecraft also was a major contributor?

Graham Allison: Policymakers recognized the magnitude of the threat, re-conceptualized the relationship, developed a coherent strategy, and managed the behavior of their governments to constrain competition and prevent crises from escalating to real war. In the US China relationship Today 12, how do we escape ucdity trap? Well, that's the problem that the San Diego China Forum has been debating for the last two or three days. To repeat, the US and China are and will continue to be the fiercest thucidan rivals history has ever seen. We may not like it, but that's a fact, a hard fact, I believe. They're competing for predominance in Asia.

Graham Allison: They're competing to be the global leader in AI, quantum, biotech, all other frontier technologies. They're competing to be the most indispensable economy. Controlling supplies of critical items so that when others take action they oppose, they can squeeze choke points, as China did when it cut off supplies of rare earth metals to the US in response to Trump's announcement of 145% tariffs. Or to remember, as the US has done in prohibiting exports to China of advanced semiconductors. In some, the incentives to compete are natural, visceral, and compelling. At the same time, the imperatives to cooperate are also compelling. Both the US and China have to survive in a mad world.

Graham Allison: Each has a nuclear arsenal that can destroy the other. So Reagan's insight that a nuclear war cannot be won remains a fundamental foundational truth. Both nations live on a small planet, as we said, with an enclosed biosphere, so we have a climate issue. The two nations' economies are so inextricably entangled that in 2008, after the financial crisis caused by Wall Street produced a great recession here and was teetering on the edge of the Great Depression, each of the parties found a way to the necessity to cooperate. 13 to meet the China challenge, should the US focus primarily on competing or alternatively on cooperating.

Graham Allison: Unfortunately, my answer is both. The Harvard China Project's great rivalry reports explain China's gotten the message about competing. More clearly than the Americans have, I would say. At the same time, as Kissinger put it, we need a strategic concept comprehensive enough to embrace simultaneously contradictory imperatives to compete in the greatest rivalry of all times and to cooperate to ensure our survival. In the Great Gatsby, Scott Fitzgerald identifies the test of a first class mind. He says, It's the ability to hold in one's head two contradictory ideas at the same time and still function. We must hope that institutions as complex as governments might meet this test and do so for decades ahead.

Graham Allison: In my search for clues, I've been exploring historical precedents and analogues, for example, the Chan in Treaty between the Song dynasty and the Lau in 2005, about 1,000 years ago, that's been described by some Chinese historians as creating a rivalry partnership. They had domains in which they would be fierce rivals and others in which they would be intense partners. Had been looking for analogs in other areas of life, for example, business, where companies engage in what they call sometimes coopetition.

Graham Allison: For example, Apple and Samsung. They're intense competitors in selling smartphones. Actually, they just neck and neck. But who's the major supplier of the parts for

Apple's smartphones? It was Samsung. If you ask Tim Cook about that, he would say, life is difficult, " I'm also fascinated from natural examples. There are various species that are symbiotic, in which they literally can't live without each other. For example, the cleaner shrimp and the client fish. The shrimp depends on the fish for nutrition, but the fish relies on the shrimp to remove deadly parasites. I'm still looking for other examples.

Graham Allison: Anybody that has examples, please get my email and send them along. 14, finally, in reaching beyond primal great power politician to a vision of constructive strategic stability. President Trump and Xi have begun an effort to reframe or redefine the terms of the relationship between our two great nations. I've been trying to think about this as well, particularly as they think about September and then maybe two more summits before 2026. If I were offered the chance to produce an idea, I would say, what about a reconceptualization that said we will do a geopolitical or geostrategic Olympics.

Graham Allison: As they attempt to think about that, their efforts could be informed by previous cases in which relationships between countries were radically re-conceptualized. Remember the Cold War. In the first chapter of the Cold War, and I'm an old Cold War here, the first chapter of the US and Soviet Union saw each other as implacable enemies. George Kennan, in his famous long telegram, warned that expansionist Soviet communism was a political force committed fanatically to the belief that with the US, there could be no permanent modus vivendi.

Graham Allison: According to Kennon, Soviet leaders believed that it was necessary that American society be disrupted and our traditional way of life be destroyed and our international authority be broken if the Soviet state were to be secured. Confronting such an adversary, the US could survive only by destroying the Soviet Union or transforming it. But as successive American leaders internalized the fact that they were not only facing a fierce rival, but that they were doing so in a mad world, they found it necessary to think much harder about new concepts and new ways to protect and advance American interests.

Graham Allison: How could a young president who is in his mid 40s, who, in his inaugural address in 1961, pledged to "pay any price, bear any burden, to bury an irreconcilable enemy find himself just three years later asserting that the US and Soviet primary responsibility was to avert confrontations that could force an adversary to choose between humiliating retreat and nuclear war?". How could he come to the conviction stated in his most famous foreign policy speech delivered just five months before he was assassinated? A conviction that basically stood on its head his inaugural pledge. Woodrow Wilson's famous a world safe for democracy in which he says, We have to focus first and foremost on building a world safe for diversity. Excuse me.

Graham Allison: This is before diversity became a code word. He made us diverse as a good, free world led by the US and an evil empire led by the Soviet Union. Our first responsibility was to build a world safe for those to survive. How could a conservative Republican, whom I had the good fortune to work for, who came to the White House promising to destroy the Evil Empire become the leading advocate of the proposition that a nuclear war cannot be won? How could he come to the view that the US should have to do whatever it could, whatever was necessary to ensure that "a war would never be fought?"

Graham Allison: Note, this included embracing the leaders of the Evil Empire, negotiating with them, reaching agreements with them to limit our own nuclear arms, and finally, even declaring the Cold War over before the Soviet Union collapsed. Remember the summer of 1988 at the Moscow Summit, where ABC News asks Reagan, do you still believe you're in an evil empire, Mr. President? Reagan responds, No, I was talking about another time and another era. Or as he put it in his farewell address, "Nothing is less free than pure communism."

Graham Allison: Yet we have in the last few years, forged a satisfying new closeness with the Soviet Union. How could cold warriors as ardent as Richard Nixon and Henry Kissinger conclude that the US shared with the Soviet Union, with its deadly Soviet enemy, an overriding interest in avoiding a nuclear war of which their two nations would be the first victims? As Kissinger wrote, as you can see here, at the beginning of the administration in 1969, "There could be no higher

duty than to prevent the catastrophe of a nuclear war." Could President Trump and Xi be on a road to a geopolitical Olympics in which a freedom-centered democracy and a party-led autocracy each do whatever they can to demonstrate that its system of governance can deliver more of what citizens want in the 21st century, and to do so within a framework that avoids confrontations that lead to war?

Think about the Olympics for a minute. Competitors do everything they can to win gold, but they compete in events on a level playing field, with negotiated rules, referees chosen according to an agreed process, penalties for infraction or cheating to which the parties all agree. Of course, the members fight very much about other issues, where to hold the games, who's eligible to play for which country, remember the skier Eileen Gu, which sports to include in the game, what constitutes cheating, how punishments will be imposed. In that rule-making process, more powerful members have more say. Nonetheless, the results have been enough dynamic stability for the games to continue for the benefit of all the parties. The spirit of the game is to go for gold. America's never short from competition.

Indeed, our market economy, indeed, our democracy is founded on the proposition that fair competition spurs rivals to run faster than they would do otherwise. Could the two Presidents, Trump and Xi, be moving towards the concept? Let me conclude by just getting you to look at what they've said. Here, President Xi reporting that President Trump and he have agreed to build a constructive US China relationship of strategic stability. Even more interestingly, here is President Trump on 60 Minutes, in which he says, "Look, it's a competitive world, especially in US-China. But I think we can get along. We can be bigger, better, stronger by working with them than by just trying to knock them out. What does the Olympic motto say? Citius, Altius, Fortius-Communiter. In conclusion, game won. [Applause]

Molly Roberts: Thanks so much. We'll take about 10 minutes to talk among ourselves, and then the audience, if you guys can start thinking of questions, we'll turn to you in a few as well. I have a question about domestic politics, because as much as this interaction between Xi and Trump is so important, it's also the domestic political situation as well. We know that US public opinion, and to some extent China public opinion, can fluctuate a lot about opinions toward China. In the COVID-19 crisis, we saw that the majority of the US public wanted not to actively have a cooperation and an engagement with China. They wanted to actively work to limit the growth of China's power, according to a poll. But in recent months, public opinion has swayed to the other side, where cooperation is something more palatable to them.

How much does US domestic politics constrain this type of geopolitical Olympics, or constructive strategic stability between the US and China? And does that make war more or less likely? Also, how much does China's behavior influence that in US public opinion versus what the US is doing our internal things?

Graham Allison: Big questions. I'll try to be brief, and not very good answers, I'd say. Trump is sui generis in my view. I study him and try to understand what's going on. But the behavior is complicated. But I think because he doesn't have any serious threat to his right, he has a freedom of action. Sorry. This would be better? Apologies. I think Trump has a freedom of action that a Democrat would never be able to do. If you look at the things that he does repeatedly, if Biden had been doing equivalent things or saying equivalent things, he would have been trashed. And I think there's no question that Trump's views have influenced the views of a substantial part of the party on the right and including younger people across a broader spectrum, as the poll suggests, which is interesting. The TikTok case is a very interesting case.

People do not want things interfering with things that they like. Again, that can be wrong. Now, the responsibility of leaders, though, is to do what has to be done for the national security of the country, and then to articulate that in a way that can sustain enough political support. If I just take the American side of that, why did the US-Soviet relationship come to be so centrally defined by the danger of nuclear war? Because leaders and strategists awoke to the fact that if we found ourselves in a nuclear war, people that didn't know anything, and everybody and people that knew everything would all be killed a luck. So summits were about preventing nuclear war.

Summits were about getting parties to talk about how they could get into a nuclear war and avoid it. Summits were about building, summits were then about agreements.

I think because, in my view, of the illusions and delusions of American both strategic community and politics in the aftermath of the Cold War, we've given up on the idea that war was a real option, or that nuclear war was a real danger. It's not a focal driver as before, and how and whether Trump and Xi could bring back that sense, I think is a good question.

Molly Roberts: Related to this, the table that you present in the book and also in the talk is pretty bleak. 75% of the cases are ones that end up in war. Yet, of course, the US China relationship isn't quite a random draw from history, it's different than Athens and Sparta, perhaps. Is the US-Soviet example the closest? Or which case do you think is the closest analog? And what do we learn from that in how to prevent war?

Graham Allison: Great question. One of the problems about being a professor, as Ernest May, one of my great mentors said, we speak in 50-minute sound bites. [Laughter] So I'll try to be brief. First, again, here's a good lesson to take away. It's a skill you can learn to use. In applied history, is the explicit attempt to illuminate current challenges and choices by analyzing previous examples. As Ernest May taught us, when you have an analogy, the US-China is just like or quite similar to X, you should put the title, draw a line down the middle of the page, and put similar at the top of one column, and different at the top of the second column. If you can't think of three bullet points under each, take an aspirin and call a historian. That was Ernie's prescription. I find in each one of the cases insights that are relevant.

One of the most important ones, I believe, is the Cold War, because that was then the realization of MAD, a mutual assured destruction in the nuclear domain and indeed in other domains becomes a defining feature so that if the reality is I'm an inseparable, conjoined Siamese twin, I got to get over it, get over the way I would behave with you otherwise, because I simply can't strangle you without committing suicide. Even if you engage in some very reckless behavior, it's endangering me. I've got a whole different frame there. But I also find very compelling the 1914 analogy. In fact, Arne Westad's new book on that is an A. It's a nice short read. W-E-S-T-A-D for the audience. He's a Yale professor, where he looks at the 1914 analogy.

Kissinger, for the last 2, 3 years of his life, every month we would do a meeting or a Zoom, and he would say, certainly the last two years, Graham, I'm hearing louder and louder the echoes of 1914. In 1914, you had this seesaw shifting. You had British rightly thinking, who in the world are these Germans, and what do they think they're doing? How can they be challenging us in this, this, this, this, and this? And you had Germans thinking, why is Britain trying to hold us down? Britain got its colonies, the French got their colonies. We came late to the game, and they're telling us we're too late, we can't play. Why is that fair? The illustration of both the rising power syndrome and the ruling power syndrome is very vivid in 1914.

I think if you said, let's write scenarios for getting from where we are now to war, the kinds of misperceptions and miscalculations that one sees in 1914 that then produced this vicious spiral of actions and reactions would be the very, or at least offer many feasible paths to getting to an outcome, which after you look and you say, this is completely crazy. Again, and one of the interesting things about the 1914 case, and I mentioned this in the Destined for War book, Bethmann was the chancellor in Germany, and his niece or nephew asks him after the war, "Uncle, how did this happen? How did you all let this happen?" And he says, "Oh, if we only knew."

Molly Roberts: Let's go to the present day from history, and we're thinking more and more about constructive strategic stability. If our goal is to prevent war, does this concept get us there? In particular, I'm thinking about how difficult it is for everyone's interpretation of something like this to be on the same page. The US and China say, we have this new concept. But we both have a completely different definition of what it means sometimes. Does that help? Does it hurt? How do we get to a place where we have rules like the Olympics where everyone can agree on what they mean?

Graham Allison: Well, I would say that's a question that people are wrestling with now, and it's the right question. Let me do the good news first. In the case of both Trump and Xi, they each have, I think, a feeling in their bones about why war would be a catastrophe for everything they care about, and especially nuclear war. Many of you if you remember or heard the anecdotes about Trump, but he feels nuclear war. He explains, when he was in high school, his uncle was a professor at MIT, and explained to him, nuclear war is bad, really bad. He can describe to people how the building that you're in, this could be destroyed, your house would be destroyed, you would be destroyed, I would be. Sorry, this is just no, bad, bad, bad. Good. And the more time they spend talking about that, the healthier, I think, for both parties. Secondly, to have them talking about how that might unfold.

That they would be dragged into something is a very useful thing because, again, it's a crazy world, but you have two people sitting there, each of whom could make a decision, and then we would be gone. I wouldn't organize that world that way if it was my choice, but it's the world we're living in. I would say having communication between the two most important decision makers about this is very important.

Then having the thick diplomacy. Let me even go back. If you had a constructive strategic stability, what are the alternatives? Destructive? That wouldn't be too good. Instability? That wouldn't be too good. Go back to the first year of the Trump administration. Basically the US and China had a kind of economic warfare; a 145% tariff is crazy. It's like an embargo. Then, lo, and behold, Xi responds, demonstrating that he's got a capacity to strangle the US economy. Once that reality sets in, and back to the inseparable Conjoined Siamese twins, I got to find a way to live with you. How are we going to do that? I think again, emphasizing the positive, in the economic arena, from a truce, you've moved beyond the truce to, I think, a framework of an agreement. I think in September, we'll get another step with respect to that.

One of Kissinger's rules for this was, you need to have what is called CCPC, continuous, candid, private conversation. In the Bacit channel now and in the people that work for them, there's regular conversations about what's going on in the economic domain. I think that's going to be relatively stable. The fact that you have constructive strategic stability does not mean that each of the parties don't do everything they can get away with to strengthen their hand relative to the other party. In the same way that in the Olympics, if you go to that one, what games get counted in the Olympics? For a long time, cricket was not permitted. Who wanted to have cricket? Then how is it? It'll be in the next row. Who can play for which team? If you look at the American team, a whole lot of them were not born in America. Can you buy players? Can professionals play?

There's 1,000 issues where you can get an advantage here or there. I would think in the US-China rivalry, a constructive strategic stability or even a geostrategic Olympics will not in any way prevent each of the parties, trying to do everything it can to win all the gold. If I were playing the American hand, I'm red, white, and blue with respect to that. But what would I expect of the Chinese? That they would do everything they could get away with. But then, as the parties negotiate, how can the Olympics continue despite this? The answer is because if you want to, you could take all your marbles and go home, but the rest of us are going to have the Olympics, and you're going to be left out.

Molly Roberts: Great. I'd love to take a few questions.

MALE_1: You have on your case study the United States and Japan, the confrontation, the rivalry that led to the Second World War, but you don't include what I think is a significant rivalry between the United States and Japan that took place in the 1950s, 60s, 70s, and really culminated in the early 1990s.

I'm surprised why you don't include that. Because there was a period where Japan was quite determined to overtake us and believed that, frankly, history was on their side. I think the very recipe that you described, which is intense competition, drove the United States to do more to learn some of the lessons about manufacturing and technology, and we were able to escape that. There are other factors that came into play, but I think you are doing yourself an injustice by

not including that case study because in that case study, it gives you clues to try to get at it. Then just the last thing, just very quickly is, you are always looking for mechanisms. I like the Olympics theory, but I'm always surprised why you wouldn't necessarily include something like what I would describe as the Nash equilibrium, the idea that the dominant paradigm between the United States and China for 50 years, particularly in Taiwan, both had a number one priority.

For China, it was to seize Taiwan. For the United States, it would be Taiwan independence. Both realize, like in the Nash equilibrium, that that outcome has the potential to be destabilizing. They both settle on the second option, which is somewhere in between. The're both dissatisfied with that option, but they both live with it. The only thing I would say is there are also some clues to survival that have nothing to do with the very important dynamics that you've laid out about nuclear weapons and all the challenges that we face today. We settled on those mechanisms long before some of those criteria came to play. Thanks. Those two.

Graham Allison: I would say yes and yes. Both are good points. I'd have to go back because we had maybe 50 other cases that we looked at but that didn't meet the criteria. The criteria for the 16 were a rapidly rising power, seriously threatening to displace a major ruling power. In the case of Japan, you had a rapidly rising power that was reconstructed, and that was actually becoming a serious competitor.

But at the same time, we were occupying it. We had our troops there, and we had written their constitution, and they were demilitarized. They didn't quite ever get to the point that they would have been on the list in that regard. On the second one, I think it's a very interesting idea, and as I say, I'm just basically scanning and collecting in every space for clues. I think finding places where parties have settled for a Nash equilibrium, and then that's been relatively stable for some time, is a great idea that I'll go look harder at. If you have more ideas about it, I'm open for a game.

MALE_2: My question is much shorter. I've never asked you this, but it occurred to me as I listened to you again here, where does Russia fit in this paradigm here? Is it a wild card, and how wild is it, and what is the consequence?

Graham Allison: That's a great question. Again, let me first look at the historical cases. If you look at 1914 and the period that runs up to 1914, you have several things going on at the same time. There's Great Britain. It's the greatest power in the world. The sun never sets on this empire. The colonies include South Africa, India, Canada. Rules the waves, the British Navy. It's been the workshop of the world until this point. Lo and behold, here comes Germany after German reunification in 1870, and Germany is not very far away.

There's the US, which also goes through after the Civil War, and then after reconstruction and about, you would now get a surge in the US. In the first decade of the 20th century, in the admiralty, which was a cockpit of national security planning for Great Britain, the enemy they were focused on was the US. They were fearful that the US was going to take Canada. Excuse me, Teddy Roosevelt thought of it. We even took a bite of Canada. Then they had Russia. Again, Russia was recovering and building out the railroads that would allow them to bring Russian troops to the British positions in Europe. They were facing a lot of competitors at the same time, and then they just had to prioritize. In the case of the US, the Navy concluded Canada was indefensible, and so it would never provide to the Army a plan for carrying the army to Canada.

Graham Allison: They gave up on that and then adopted a policy of accommodation. Actually, that's a case that Chinese like a lot; explaining that could be a good way to deal with the problems that we have here. In the case of Russia, the German general staff were having to look both east and west, and the Russian piece was an interesting element in some of the general staff's calculation that we need to do this sooner rather than later because later we're going to face the possibility of a Russian component as well. I'm just doing the history. If we jump to the, I think Xi Jinping, I believe, and I wrote this in 2017, is the most ambitious, most competent, and likely to be the most consequential player on the international stage. That was 2017. I would double down on that today. How in the world has he managed to produce Russia as a junior

partner?

In a fantastic role reversal with one of the most insecure leaders in the world who's always concerned about his own standing. He said Rodney Dangerfield, in the extreme, he's done it brilliantly. He's courted him right from the first day. He calls them and sees him. They have their birthdays together. Whenever he comes, she gives his speech. I would say he's managed to extend his reserves in that regard. Plus, he's got good access to energy and other natural resources. I would say the Russian piece of this is interesting, and I think she has played his hand much better than we have played our hand in that regard.

Molly Roberts: We only have a couple of minutes left and lots of questions. I'm going to take a couple. Steve and Resh.

Steve: Terrific presentation, Graham. The title of this China forum was towards a new paradigm for US-China relations. I want to pull that out a little bit. If you look at the US-Soviet relations, I would say it was a static strategic stability based on arms control arrangements. It froze the strategic relationship between the two countries, which was basically a military competition.

But China, of course, is a competition across every sphere. You've described really a dynamic strategic stability, where we're going to compete. We're going to compete in a way that does not lead to compensation conflict. Seems to me, though, if that's right, I want to follow up on Molly's questions. There are four key assumptions or parameters of that dynamic strategic stability. One is that neither country is really going to be able to obtain a decisive advantage over the other or to be able to dominate the other. The second is that we're not going to totally decouple from each other. The third is that we are going to deter China, but China is going to be able to deter us both through MAD and the military sphere and mutually assured disruption in the economic sphere. Fourthly, that neither is really going to try to put the other out of business or change the regime of the other.

It seems to me those are assumptions or parameters of this dynamic strategic stability. To pick up Molly's question, can you rally the American people to those four propositions, which are going to look to some like concessions?

Resh: Thank you. I just didn't think we could conclude today without talking about artificial intelligence. I wanted to ask a question about AI. Specifically, you noted part of this construct that we need to be there's going to be a cooperative element. Of course, AI is an area both where cooperation may be necessary and where competition seems inevitable. Given the risks of artificial intelligence, being married with bio weapons, for example, breaking out of sandboxes to cause catastrophic cyberattacks, destabilizing employment, or social models, how should the US and China both compete and cooperate in this transformative technology?

Molly Roberts: If you want to give a quick answer to those and they're big questions, then I'll do one more round.

Graham Allison: Again, these are long topics, but to Steve, I would say, yes, that seems to be a very good way to try to take it down another level of granularity and thinking about what's required. Overall, unlike the Soviet rivalry, the economic piece and the technological piece are central in a way that they were not in, certainly, the latter Cold War. Just a footnote there, though: we don't remember, but in the 1940s and 50s and even into the early '60s, the consensus view was actually that the Soviets were economic powerhouse that would rival us.

If you go find the Paul Samuelson economic textbook from the early 1960s, it says in the '70s, the Soviet Union will overtake the US economy. This was one of the greatest economists, and this was a consensus view. But over time, it was discovered that, lo and behold, the Soviet command and control system wouldn't function economically. Now, so I would say that's the early stage, somewhat similar in the latter stage, quite different. The speed at which things are changing both economically and technologically in the race with China, and the ways in which conceivably some advantages may give you some really substantial additional leverage, makes

it a more complicated dynamics. I think that's certainly right. But if I go back, again, I don't want to belabor the Olympics thing, but Olympics is way more complicated than you would think, and the World Cup is more complicated than you think.

Why do the rules get set the way they do? Who gets to come? Should paid athletes be able to? Can I buy citizens from other country and have them run for my team? How long do they have to be an American or a Chinese or others? So there's a lot of dynamics in that as well. The parties can people use drugs? They have rules for that. It's more complex and more dynamic in the US-China rivalry. There's some clues from these cases; it seems to me that are a promise. For Russians on AI, again, probably no conversations complete without AI, and we've spent a lot of time discussing it here at the China forum. I wrote a piece that was published this week in Foreign Policy on America's cosmic bet on AI. I'm quite worried that the US economy has become essentially a highly leveraged bet on an AI miracle, which I hope may occur, but about which I'm not certain.

I think if we ask if the miracle should be postponed or maybe even not happen, what will be the consequences for our economy? We're more than half of the economy now. If you take half of the growth, half of all the investments, 85% of the increases in the S&P are AI-driven. You wouldn't require much for this to look like a traditional bubble that bursts. If the bubble bursts, we would have a great recession or something worse. If that were to happen, what does that do for the economic piece of the US-Chinese rivalry? Huge. Even more, what does it do for the US-China political or geostrategic rivalry in which we've said and our companies have said, and our government says, this is a race that we are determined to win, and we will decisively win, and we'll win in a way that will have a decisive and irreversible advantage because that's part of our story. I'm dubious about that story.

I have no basis for making a very good judgment. I try to triangulate the things that the various parties that know more than I do say. But I'd say if it should happen that a year from now or two, this look like the.com bubble or the real estate in 2007, '8, or the railroads, which is an interesting case. A lot of the things that are built will be valuable after, but the period between the bursting of a bubble and after that is going to be a very difficult period, and China has made an extremely different bet. They don't seem to be mesmerized by the idea of AGI or RSI. They don't think that they're about to be or at an edge of having some superintelligence that will be so intelligent that it'll keep learning itself, and therefore, nobody will ever be able to catch up with it. In fact, I can't quite understand why they would be as comfortable and calm about this as they would.

If I were playing their hand, I would have a Manhattan Project equivalent doing this just in case this might be something to happen in this space. But as the best evidence available, they haven't done so. They've focused on applications of AI to try to improve this amazing, whatever, manufacturing and high-tech manufacturing machine that you've described that allows them to make essentially everything for at a half or a third the price of their international competitors.

Molly Roberts: Two questions from the back. David. Then also in the back over there. Yes.

David Lake: Thank you. We normally think of these power transitions or power competitions that you've been describing as a Thucydides Trap, as the declining hegemon holding on to the international rules and the international order created as long as it possibly can, and the disruption coming from below from the rising challenger. That's not how I would characterize accurately the current situation.

In a unique way, the United States is in some sense pulling out of the international order it created after 1945. How does that fit into the narrative that you have here? Does it mean that perhaps we can sidestep the Thucydides Trap by renegotiating an order that we can accept, or does it exacerbate it in some ways? I would just like you to expand a little bit about the uniqueness of the current period, particularly US policy, and how it might affect the history that you've used so effectively.

Molly Roberts: Over here.

MALE_3: I wanted to follow up on your points about AI. I have worries about cooperation between China and the United States when it comes to AI, primarily because, as you said, the US is investing more and more and relying more and more on AI to be an economic factor of growth. It's now gone to a point where it is more expensive to use domestic AI for menial tasks than to do it by hand for companies like Microsoft.

China is producing AI that is getting closer and closer to being as good as the United States, for free or nearly for free. I worry that companies are going to switch to Chinese models instead of the US ones, and it will cause that bubble burst, as we have no real need to maintain that investment.

Graham Allison: On the AI point, I agree. I'd say that if you look at the piece that I mentioned, it's in Foreign Policy this week, and you look at the latest releases, you can do this yourself tonight. You can download DeepSeek, the model, and use it for a tenth of the price of OpenAI or Anthropic. Indeed, this new Kimji out this week, a 99% reduction in the price.

The big companies' ability to sell to most of the consumers at the prices that they projected is not correct, and you're already seeing price slicing. Now, how is that going to play out? We'll see. But I would say it's right to worry. The Chinese, I think, have a strategy of being fast followers. To have a product that's 80 or 90% as good, and that costs 10% of the price. And I would say that, in fact that in the token use last month, Chinese models accounted for two-thirds of the AI work, suggests that that's where things are going. Sorry.

FEMALE_2: It's David Lake, [inaudible].

Molly Roberts: It's David Lake, professor of political science here.

Graham Allison: Oh, I'm sorry. [Laughter] Excuse me. I couldn't see here. A great question. As I say: Trump is sui generis, and the current case is different from almost all other cases. I think the Munich Security Conference this year nailed it for my money, in which their title is called Prison at the Destruction. Their thesis is that we're in a period of what they call wreckingball politics, in which the great irony is that the principal architect and guardian of the International Order has become the principal wreckingball.

To what end? That's another question and another issue and how this impacts. I think if I listen and watch from the Chinese perspective, I go to China about every three months and have become somebody whom people in the First circle talk to, and they're as puzzled as hell, what the point is here, or what's the catch, as they would say. It can't be that you're destroying the order that was a great achievement for the whole world for no reason. There must be a trick here. I think in one of the papers that were distributed for the conference, there's some scholars at Rimmen University in China who have hats, it's called MCGA, Make China Great Again, in which they say rightly, what the US has done to undermine the alliance system that it had built, and that was, as Russ and Kurt have pointed out repeatedly, a fundamental pillar of any successful American long term strategy has so far overachieved anything they could even imagine.

You're not doing this to be nice to me. Why are you doing this? What is the trick? I told him, I don't know what the trick is. I find it so myself very puzzling, but it's certainly the case. In fact, one of the folks who works for the foreign ministry who works directly for Wang Yi, whom I've gotten to know fairly well, he said, we have performance measures that we have to achieve every year. He said, this past year, they told us, no, we didn't get any credit for what had been accomplished because somebody else had so far overfulfilled our ambitions that all of our efforts were beside the point. I said, it seemed to me like a pretty good accounting system since I don't think you were responsible for the fact that, today, most of our allies, if you go to the public opinion polls, let me take Europe. Do you regard the US as a friend or an enemy? Enemy. The majority, enemy.

If you ask Mark Carney, who's as American as any Canadian could be. He's a Harvard student.

He loves America. He's a serious person. If you ask, how does he think about the US today? He has to see it as a threat. Again, I'm sure that there's some method in this madness, but I haven't been able to discover it.

Molly Roberts: On that note, thank you very much for coming. [Applause] Thank you, Graham Allison, for your thoughts. [Music]