Mr. Chairman, Ranking Member Reed, and Members:

It is an honor for me to address this committee. When he invited me, Senator Reed suggested I focus on the big picture—to try to help provide coordinates for your thinking about specific defense policy choices in the Asia-Pacific. Senator King encouraged me to be provocative. The Committee’s staff insisted that I be brief.

I have tried to summarize the essence of what I have to say today in two charts. The first asks: who is rebalancing whom? The second: how has the relative power of China and the US changed over the past quarter century?

Chart 1 looks just at the past decade and compares the relative weight of US and Chinese economies as if they were two competitors on opposite ends of a see-saw. The identity of the two parties is left blank—to remind us of tectonic realities all of us should keep in mind when we hear the word "rebalance."

Chart 2 compares the US and China today with where they stood a quarter century ago. It represents the size of the US and Chinese economies as the height of a person. If in 1990 China was one foot tall, how tall was the US?
Who's Rebalancing Whom?

Note: GDP (PPP)
2004: U.S. $12.2 trillion; China $5.6 trillion
2014: U.S. $17.4 trillion; China $17.6 trillion
2024: U.S. $27.0 trillion; China $57.0 trillion

Chart 1
The Rise of China
And today? As last October’s joint meeting of the IMF and World Bank in Washington announced with some fanfare, measured by PPP, China currently stands eye to eye with the US. By dollar exchange rates, it is about two-thirds our height, on track to overshadow us in the next decade.

Perhaps I should simply stop here and suggest that we all reflect on these two charts. As a wise European statesmen observed: things have happened so fast, we have not yet had time to be astonished.

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Nowhere is that statesman's insight more apt in thinking about the relative power of the US and China. Never in history has a state risen so far, so fast, on so many dimensions. If you want to stump colleagues or friends, see the chart from my class at Harvard in the appendix to my testimony. It asks whether China could become Number One. It considers 23 key indicators, from the primary engine of global economic growth and leading trading nation, to the largest number of internet users and highest number of patent filings. As the reverse side of the chart shows, on every one of the 23, China could not become Number One. It already is.

Moreover, all this has happened in a single generation—a quarter century in which many of us have been doing more or less what we are doing today. To repeat: we have not yet had time to be astonished.

Of course, GDP is not the only measure of a nation’s power. But it is the foundation or sub-structure of national power. While not translated instantly or automatically into economic or military means of coercion, if the five thousand years of recorded history is our guide, nations with larger GDPs over time have proportionally greater influence in shaping outcomes in international affairs.

Coming down from 60,000 feet to 30,000 feet, consider 3 additional questions:

- On the record of the past quarter century, is the US in decline?
- What does China want? As President Xi Jinping and his colleagues think about what has happened in their lifetimes, and what they want to make happen in the next decade or quarter century, what is China trying to achieve?
How should Americans policymakers and citizens think about the China challenge? Is there a concept that helps illuminate what we all recognize is the defining question about global order today?

1. Is the US declining?

For most members of America’s foreign policy establishment, any suggestion that the US is declining, or even might be, is rejected as heresy. Defenders of the faith have demonstrated great imagination in inventing additional measures to demonstrate their claim that: “we are not shrinking!” While technically correct, this proposition is substantively misleading. Power in international affairs is measured by one state’s ability to get another state to do things it would not do otherwise. The concept is inherently relative: my strength as compared to yours. So even while the US is unquestionably richer and stronger in absolute terms than we were in 1990, China has also been getting richer and stronger—at a much faster rate.

2. What does China want?

Obviously this is a big question. And it can be made even more complex, as many China scholars have shown in arguing that no one knows—or even can know. Since developments are dynamic and even if current leaders have goals or intentions, events inevitably intervene, and their successors who will lead the future remain unchosen, the question cannot be answered. Statements from US government officials typically express this by lamenting the lack of “transparency” about China’s intentions.

For clarity in answering this question, I believe there is no better guide than the individual who has for the past four decades been the world’s premier China watcher. Founder of Singapore and Prime Minister for its first three decades, Lee Kuan Yew, who died three weeks ago at the age of 91, was called "mentor" by every Chinese leader since Deng Xiaoping.

I had the great good fortune to spend many hours in conversation with this grand master of international strategy as my co-author and I sought to capture his key insights in a book published two years ago entitled *Lee Kuan Yew: The Grand Master’s Insights on China, the United States, and the World*. Our contribution was simply to pose the questions we thought most Americans and other internationals would
find most interesting. 95% of the book consists of his direct, pithy, provocative answers.

- Question: Are China’s current leaders serious about displacing the US as the predominant power in Asia in the foreseeable future?
  LKY: “Of course. Why not? How could they not aspire to be number 1 in Asia, and in time the world?”

- Will they succeed?
  LKY: Yes: “The chances of it going wrong in China are about 1 in 5.”

- Can the US stop the rise of China?
  LKY: “The US cannot stop China’s rise. It just has to live with a bigger China, which will be completely novel for the US, since no country has ever been big enough to challenge its position. It is not possible to pretend that this is just another big player. This is the biggest player in the history of the world.”

- Must this necessarily lead to war?
  LKY: No: “This is not the Cold War. The Soviet Union was contesting the US for global supremacy. China is acting purely as China in its own national interests.”

For this grand master’s answers to additional questions about the future of China, the future of the US, US-China relations, India, globalization, democratization and other topics, members of the Committee who would like a copy of the book have only to ask.

3. How should we think about the China challenge?

For perspective, I know of no better lens than “Thucydides’ Trap.” This metaphor reminds us of the inherent and inescapable structural stress that occurs when a rapidly rising power threatens to displace a ruling power. Think back a century to the rivalry between a rising Germany and a ruling Britain that created conditions in which the assassination of an archduke triggered a sequence of events that became World War I. In 12 of 16 cases in the past 500 years when a rising power challenged a ruling power, the outcome was war.

I will spare you my lecture on Thucydides, though I will guarantee you that a couple of hours spent reading his Peloponnesian War will compare favorably with the reports you are inundated with weekly from the departments. Explaining the Peloponnesian War that laid
waste to the two great city-states in Ancient Greece, Thucydides wrote in one of the most frequently quoted lines in international security studies: “It was the rise of Athens and the fear that this instilled in Sparta that made the war inevitable.”

The fact that 4 of the 16 cases did not lead to war reminds us vividly that war between China and the US is not inevitable. But Thucydides’ insight also reminds us that hegemonic challenges or transitions are inherently dangerous—even perilous. Left to history as usual, on the record, the likelihood of war is much greater than most of us have recognized. The point of reviewing the historical record, however, is not to wallow in fatalism. To the contrary, it is to learn lessons from previous similar encounters that American and Chinese statesmen could apply to make this a success story rather than another case in my catalogue of failures.

As Senator Reed often asks me after I have complexified a problem: So what? Unfortunately, in this case, there is no “Washington solution:” a simple response with a lofty goal and a short to-do list that will meet the challenge. To borrow a line from my classroom, no, Virginia, there is no pill that will make this problem go away. Constructing a strategy proportionate to the challenge will require a multi-year, multi-mind effort. But as we get started, we will find no better source of insights and clues than the historical record of precedence and analogs.

So while I do not have a good answer to the "so what" question, I will conclude by underlining 3 clues.

First: stop, look, listen—and think. As Lee Kuan Yew said, this is not something we have even seen before: it is “completely novel: the biggest player in the history of the world.” What the strategic community needs most at this point is a serious pause for reflection. If the tectonic shift caused by China’s rise poses a challenge of genuinely Thucydidean proportions, declarations about “rebalancing” or revitalizing “engage but hedge” or 2016-hopefuls’ calls for more “muscular” or “robust” or “smarter” variants of the same are like band-aids on a cancer. The rise of a 5000 year old civilization with 1.3 billion people is not a problem to be fixed. It is a condition—a chronic condition that will have to be managed over a generation.

Second: what nations do inside their borders is as least as important as what happens in their external competition. Analyzing the record of the 21st century, which has had the larger impact on the relative power of the US
and China: what China has done to build its self up, or what the US has done to tear ourselves down? In my analysis, the latter. As the classic Pogo cartoon concluded: we have met the enemy and he is us.

Third: as you consider the twin perils of fatalism on the one hand, and complacency, on the other, which poses the greater threat to the US today? Some of my colleagues worry that by insisting on the real possibility that China and the US could find themselves in a war neither would have chosen could hasten this very outcome. I believe the much greater danger comes from lulling ourselves by repeating reassurances that everything is okay. Those who argue that because war with China is "inevitable," or very likely, we should get on with it now before China becomes even stronger, have no more following among serious policymakers than they deserve. To repeat, on the record, war is NOT inevitable.
In my view, however, most policymakers, policy influentials, and pundits have failed to appreciate the enormity of this Thucydidean challenge—a challenge exacerbated by the contrast between China's agility in addressing its daunting internal agenda and America's new normal dysfunctionism. What we need at this point is vigorous debate that illuminates the risks we face as effectively as a generation of strategists' warning about nuclear war with the Soviet Union clarified that danger. By doing so, realism motivated invention of a new strategy as unprecedented as Containment in the Cold War. And as we should remind ourselves every day: we won.

Who better to stimulate that debate than the distinguished members of this Senate Armed Services Committee?

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Appendix 1

When Will China Become #1?

- Manufacturer:
- Exporter:
- Trading nation:
- Primary engine of global economic growth:
- Holder of US debt:
- FDI destination:
- Energy consumer:
- Oil importer:
- Carbon emitter:
- Auto market:
- Steel producer:
- Cotton producer:
- Smartphone market:
- E-commerce market:
- Luxury goods market:
- Internet users:
- Fastest supercomputer:
- Holder of foreign-exchange reserves:
- Number of IPOs:
- High school education rankings:
- High-speed rail network:
- Solar power market:
- Patent filings (# filed in country):
When Will China Become #1? (Answers)

- Manufacturer: 2011
- Exporter: 2009
- Trading nation: 2012
- Main engine of global economic growth: 2010
- Holder of US debt: 2008
- FDI destination: 2014
- Energy consumer: 2010
- Oil importer: 2012
- Carbon emitter: 2006
- Auto market: 2009
- Steel producer: 2010
- Cotton producer: 2008
- Smartphone market: 2012
- E-commerce market: 2013
- Luxury goods market: 2013
- Internet users: 2008
- Fastest supercomputer: 2010
- Holder of foreign-exchange reserves: 2006
- Number of IPOs: 2007
- High school education rankings: 2009 (Shanghai)
- Longest high-speed rail network: 2014
- Biggest solar power market: 2013
- Patent filings (# filed in country): 2011
Who’s Rebalancing Whom?

Note: GDP
2004: U.S. $12.2 trillion; China $1.9 trillion
2014: U.S. $17.4 trillion; China $10.4 trillion
2024: U.S. $25.0 trillion; China $25.0 trillion

Chart 1b
The Rise of China

1990

2014

Height = equivalent to ratio of GDP
1990: China $0.4 billion | U.S. $6.0 billion
2014: China $10.3 billion | U.S. $17.4 billion

Chart 2b