

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON
U.S. DEFENSE POLICY ISSUES PERTAINING TO THE
ASIA-PACIFIC THEATER

Tuesday, April 14, 2015

Washington, D.C.

ALDERSON REPORTING COMPANY
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
(202) 289-2260

1 HEARING TO RECEIVE TESTIMONY ON
2 U.S. DEFENSE POLICY ISSUES
3 PERTAINING TO THE ASIA-PACIFIC THEATER
4

5 Tuesday, April 14, 2015
6

7 U.S. Senate
8 Committee on Armed Services
9 Washington, D.C.
10

11 The committee met, pursuant to notice, at 9:00 a.m. in
12 Room SD-G50, Dirksen Senate Office Building, Hon. John
13 McCain, chairman of the committee, presiding.

14 Committee Members Present: Senators McCain
15 [presiding], Inhofe, Wicker, Fischer, Cotton, Ernst, Tillis,
16 Sullivan, Reed, Manchin, Shaheen, Gillibrand, Blumenthal,
17 Donnelly, Hirono, Kaine, and King.
18
19
20
21
22
23
24
25

1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: Well, good morning. If we could
4 perhaps begin.

5 I want to apologize to our witnesses. Getting Senators
6 anywhere before 9:30 in the morning is an insurmountable
7 task, and I apologize for the early beginning, but we have a
8 briefing at 10:30 and I wanted to have an opportunity for
9 the witnesses to be heard both personally and on the record
10 on these very important issues pertaining to the
11 Asia-Pacific theater in anticipation of the testimony of our
12 component commanders there.

13 I would like to thank each of the witnesses for
14 appearing before us. Dr. Graham Allison, who is Director of
15 the Kennedy School of Government's Belfer Center for Science
16 and International Affairs. The Honorable Kurt Campbell,
17 Chairman and CEO of The Asia Group. Dr. Michael Green,
18 Senior Vice President for Asia and Japan Chair at the Center
19 for Strategic and International Studies. And Admiral Gary
20 Roughead, the Annenberg Distinguished Visiting Fellow at the
21 Hoover Institution.

22 In the interest of time this morning, I will save my
23 most important opening remarks for the record and welcome
24 the witnesses and turn to Senator Reed.

25 [The prepared statement of Chairman McCain follows:]

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

[COMMITTEE INSERT]

1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Thank you, Mr. Chairman. And I will too
4 make my opening statement, with your consent, part of the
5 record and simply welcome the witnesses. I have had the
6 privilege of working closely with many of them and admire
7 and respect all of them. So thank you very much, Mr.
8 Chairman.

9 [The prepared statement of Senator Reed follows:]

10 [COMMITTEE INSERT]

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Chairman McCain: Dr. Allison, we will begin with you
2 and thank you for being here today.
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 STATEMENT OF DR. GRAHAM T. ALLISON, DIRECTOR, BELFER
2 CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, JOHN F.
3 KENNEDY SCHOOL OF GOVERNMENT

4 Dr. Allison: Thank you very much for inviting us. It
5 is a great honor to be here with such a distinguished group.
6 When Senator Reed invited me to come, he said give us a big
7 picture with coordinates. Senator King came to visit me
8 about a couple of weeks ago, and he said be provocative.
9 And the staff said be brief.

10 Chairman McCain: That is a habit that Senator King has
11 himself.

12 Dr. Allison: I will try to comply.

13 I submitted for the record some testimony, and if you
14 have a copy of it -- I am not sure if you do, but I tried to
15 summarize the essence of what I had to say in two charts.

16 So the first asks the question, who is rebalancing
17 whom? That has been at the heart of many of your hearings.

18 And the second asks the question, over the last quarter
19 century when many of us have been doing more or less what we
20 are doing today, what has happened to the relative power of
21 China and the U.S.?

22 And I think if you look at these two charts and think
23 about them, you will get more than I have to say. So if you
24 take a look at the first chart.

25 Imagine two competitors who are sitting on opposite

1 ends of a seesaw. I do not know. Do members have copies?

2 If they do not, I have some extra copies.

3 So imagine two competitors sitting on opposite ends of
4 a seesaw. And this is in 2004 and in 2014 and in 2024. And
5 let us, for the sake of the record, call one "big guy" or
6 "big man" and the other one "little man." So if you notice
7 in 2004, big man's feet are on the ground, and actually he
8 starts talking about rebalancing in which he is talking
9 about whether he puts more weight on the left foot, the
10 Middle East, or the right foot, Asia.

11 In the meantime, little man is just growing his
12 economy. And by 2014, you will notice big man's feet are
13 beginning just barely to touch the ground because of the
14 impacts of the growth of big man. And if you look at 2024,
15 what used to be big man is going to be smaller than what
16 used to be little man, and big man's feet are not going to
17 be on the ground at all. So this is a tectonic change that
18 is represented by this simplistic graph in terms of the
19 relative economic power, measured by purchasing power parity
20 of the U.S. and China.

21 The second chart, if you go to page 3, asks what has
22 happened to the relative economic power of China and the
23 U.S. over the past 25 years, a generation. And if you will
24 look at it, it is kind of hard to believe, but a state that
25 was, if we measured in terms of height -- so I am just

1 representing the size of the economy in terms of the height
2 of an individual -- China was 1 foot tall relative to the
3 U.S. in 1990, which we can remember. Today China looks us
4 eye to eye in terms of the size of the economy. Actually as
5 the IMF World Bank meeting last October announced, in
6 purchasing power parity, China's economy is slightly larger
7 than the economy of the U.S.

8 Now, what follows from that? Almost everything. So
9 there is a wonderful Czech, the former Czech president, whom
10 Senator McCain knew and liked, Mr. Vaclav Havel, who has got
11 this spectacular quote. He said things have happened so
12 fast we have not yet had time to be astonished. So I would
13 say be astonished. Look at the two charts. Look at what
14 has happened that is in our lifetime, doing what we have
15 been doing.

16 So never has a state risen so far, so fast on so many
17 different dimensions. That is just basically the essence of
18 what I have to say.

19 GDP does not measure everything, but it is the
20 substructure of power. It does not translate instantly into
21 military power or into influence, but over time, bigger,
22 stronger, more influential. That is the story of history.

23 I then offer three additional questions, which I will
24 just go through quickly. First is, is the U.S. in decline?
25 Secondly, what does China want? And third is, how should

1 Americans think about China and the relationship between the
2 U.S. and China?

3 The U.S. in decline? Answer: no. As the
4 anti-declinists want to insist, we are not shrinking. The
5 problem is, however, that the other guy is growing a lot
6 faster than we are. So we are bigger and stronger and
7 richer than we were in 1990, but China is a whole lot
8 bigger, richer, and stronger. So relatively -- and power is
9 relative in international affairs -- China's power and
10 influence has grown substantially compared to ours.

11 The second question, what does China want? Answer. A
12 very complicated subject, and my distinguished colleagues
13 will explain to us how it is even more complicated. Nobody
14 can know. I would say read Lee Kuan Yew. For those that do
15 not have a copy of the book -- I know Senator Reed does -- I
16 brought you a couple of extra copies, and if you want one, I
17 am happy to send you one. This is the world's premier China
18 watcher, a truly amazing individual. He has spent more face
19 time with every Chinese leader since Deng Xiaoping than
20 anybody in the world. Each one of them called him "mentor."
21 So in this book, all we did was ask the questions. It
22 captures his answers. So 95 percent of the words are his
23 answers.

24 What does China want? Are China's current leaders
25 serious about displacing the U.S. as the predominant power

1 in Asia in the foreseeable future? It is a good question.
2 You can read my former professor, Henry Kissinger's book,
3 500 pages. It says on the one hand, on the other hand. It
4 is complicated. Lee Kuan Yew. Of course. Why not? Who
5 could imagine otherwise? How could they not aspire to be
6 number one in Asia and in time the world?

7 Then we go on. Will they succeed? He says yes.
8 Chances of it going wrong are about one chance in five. So
9 he makes it four chances in five they succeed.

10 Can the U.S. stop the rise of China? Lee Kuan Yew: No,
11 the U.S. cannot stop China's rise. It just have to live
12 with a bigger China, which will be completely novel for the
13 U.S. since no country has ever been big enough to challenge
14 the American position. It is not possible to pretend this
15 is just another big player. This is the biggest player in
16 the history of the world.

17 Must this necessarily lead to war? Lee Kuan Yew: No,
18 no. The Soviet Union was contesting the U.S. for global
19 supremacy, but this is not the Cold War. China is acting
20 purely in China's national interest.

21 Finally, Mr. Chairman, how should we think about the
22 China challenge? I have proposed a metaphor I call
23 "Thucydides Trap." So this is the inherent and inescapable
24 structural stress that occurs when a rising power threatens
25 to displace a ruling power. In 12 of 16 cases that I have

1 studied, in the last 500 years, when a rising power
2 threatens to displace a ruling power, the outcome was war.
3 Think back 100 years ago to the rise of Germany, the fear
4 this instills in Britain and what becomes World War I. So
5 in four of the 16 cases, that did not happen.

6 My purpose here in trying to understand this in terms
7 of a challenge of Thucydides and proportions is not fatalism
8 and it is not a prediction about an inevitable war, but it
9 is for us to try to realize the magnitude of the challenge
10 that we face and to learn the lessons from the success
11 stories, as well as from some of the failures, to be a
12 success story in this case rather than a failure. Now, I
13 have some specific ideas about how that might be done, but I
14 have taken my 5 minutes.

15 [The prepared statement of Dr. Allison follows:]

16
17
18
19
20
21
22
23
24
25

1 Chairman McCain: Dr. Campbell, welcome.
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 STATEMENT OF HON. KURT M. CAMPBELL, CHAIRMAN AND CHIEF
2 EXECUTIVE OFFICER, THE ASIA GROUP

3 Dr. Campbell: Great to see you, Senator. Thank you
4 very much. Senator Reed, thank you, and it is a great
5 honor. I had a chance to travel last year with Senator
6 Wicker around Japan. It is good to see you again, sir.

7 I very much appreciate the chance to have a quick
8 conversation to talk about the challenges that the United
9 States faces in the Asia-Pacific region. And I will begin
10 with just a scheduling issue. Today is a classic case.

11 I think if we all sat down and thought carefully, we
12 would say, you know, the lion's share of the history of the
13 21st century is going to be written in Asia. There is just
14 no doubt about it. And frankly, when we look at this
15 period, most recognize the dynamics that I think Graham has
16 laid out are accurate. This is where power shifting,
17 economic power is shifting dramatically.

18 However, the United States, for very good reasons, is
19 consumed with the Middle East and South Asia and will be for
20 at least a decade. And so the greatest challenge of Senate
21 leadership, congressional role, the role of the executive
22 branch is how to try to find the wit and wisdom to focus
23 more attention in those other hours that we are supposed to
24 be doing other things at the same time that we are
25 unbelievably dramatically engaged in the Middle East and

1 South Asia.

2 So the biggest concern in Asia is not just the
3 dysfunctionality of our Government. It is that we are
4 preoccupied away from this drama. And as much as we tried
5 to persuade them that we are not -- in fact, the more that
6 you tried to persuade them, the more that they are convinced
7 that you are. One of the great dynamics of Asia: the more
8 that you attest to something, the more that your
9 interlocutors are sure that the reverse is the case.

10 So as you end today and go into the real drama of what
11 is playing out in Iran, I want you to keep in mind the
12 challenge that we are going to be facing over time is going
13 to shift from the Middle East and South Asia to the Asia as
14 a whole, whether we recognize it or appreciate it more
15 directly.

16 At the beginning of the administration that I served
17 in, we had a relatively unhelpful set of back and forth,
18 oftentimes between Republicans and Democrats, although I
19 will tell you one of the great benefits of Asia is that this
20 is essentially a bipartisan commitment. I worked closely
21 with the men on this panel and others, and I believe we can
22 sustain this bipartisan purpose into Asia into the 21st
23 century.

24 We had some, after we started to talk about a rebalance
25 or pivot to Asia, who said, you know what? We are back in

1 Asia. We are back in Asia. And the inevitable retort was,
2 no, no, no, we have never left. And the truth is both of
3 these are right on some level, but both of them are
4 profoundly wrong. Ladies and gentlemen, for us to be
5 effective in Asia going forward, the price of admittance to
6 get into the disco has gone up dramatically. We have got to
7 spend much more time and attention, focus more of our
8 military, our trade, our economic engagement to be
9 successful in Asia. That is what is expected because of the
10 dynamics that Graham has laid out.

11 Second, for this to be really effective, we have to
12 understand some of our shortcomings. We have not really
13 reevaluated some of our very strong positions historically
14 in Asia, but it is a position that needs constant
15 refurbishment. So I just want to acknowledge that whatever
16 small steps that have been taken to date have to be
17 sustained over the course of several administrations going
18 forward.

19 As you contemplate strategy in Asia, recognize that the
20 military dimension is critical. It is important. It is our
21 big ticket. It is what countries look to us for to maintain
22 and to sustain peace and stability. But ultimately for us
23 to be effective in Asia, we have to have a comprehensive
24 strategy, and it has to integrate many components of
25 American power. Now, I am a Democrat and a very strong

1 supporter of the Trans-Pacific Partnership. If we do
2 everything right in Asia, go to all the meetings, bow at the
3 right times, eat the food with the appropriate utensils, and
4 we do not get TPP done, the best grade we can get over the
5 next 2 years is a C minus, the very best. If we do
6 everything wrong, which we have a long tradition of getting
7 sick at state dinners or canceling meetings at the last
8 moment or creating some horrible problem with some
9 miscommunication or translation, and we get the TPP done, we
10 get a B plus. That is how significant this is going
11 forward.

12 So what I would urge this committee -- and I want to
13 thank you for doing this -- is to recognize that as you
14 think about military strategy, which is absolutely essential
15 -- we do need more ships. We need more capabilities. This
16 is a period of time where I expect and want the Navy to
17 stand up. This is the Navy's time. Over the last several
18 years, we have had a period where we have other components
19 of our services that are critically energized. This is a
20 period for dramatic, fresh thinking, strategic approaches
21 from our expeditionary men and women in white. Also our Air
22 Force as well.

23 I would say generally we have the wherewithal to be
24 successful in Asia. Asian friends want us around. They
25 believe that our role is essential and that that can

1 continue for decades.

2 I will tell you guys one secret and I will conclude and
3 turn it over to my friend, Mike Green.

4 Americans often, who are trained and experienced mostly
5 in foreign policy -- that training is in Europe. So that
6 when they first go to Asia, they use European analogies.
7 Right? And then Asians immediately turn you off because
8 they do not really like them. Right?

9 And I agree very much with Graham's point about Lee
10 Kuan Yew. No person has had more time with Chinese leaders.
11 No person was more effective at manipulating Westerners than
12 Lee Kuan Yew, as Graham knows.

13 So I am going to give you, in conclusion, a European
14 analogy that works really well for Asia, even though you are
15 not supposed to use them. So back in the 1980's, Margaret
16 Thatcher had appointed one of her key players as
17 Secretary-General of NATO, and he was in a meeting
18 listening. This was during a period where we were about to
19 deploy missiles in Europe. And he was listening to Italians
20 and French and Germans complaining about the United States,
21 that we were difficult, that we had no culture, that we did
22 not coordinate effectively, that we were clumsy, that we
23 were difficult and impossible to work with. And at the end
24 of this, the Secretary-General of NATO said, ah, alas, they
25 are the only Americans we have.

1 And that is our role in Asia, and it is a significant
2 one and one that we should not take lightly. It is critical
3 going forward that the role of the executive branch
4 obviously is central. But what is important about Asia,
5 ladies and gentlemen, no other arena in the world has been
6 more effective by congressional leadership. No other place
7 is more influenced by the men and women in this chamber.
8 And I will tell you Asians are worried after a tremendous
9 passing of the baton with Senator Lugar and Senator Inouye
10 that people like Senator McCain and others will hopefully
11 continue this role in Asia going forward. So I want to
12 encourage the new folks who are starting to think about Asia
13 make a trip. The water is fine. And it is important for
14 the United States to sustain our leadership going forward.

15 Thank you very much, Senator.

16 [The prepared statement of Dr. Campbell follows:]

17 [COMMITTEE INSERT]

18

19

20

21

22

23

24

25

1 Chairman McCain: Thank you.

2 Dr. Green?

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATEMENT OF DR. MICHAEL J. GREEN, SENIOR VICE
2 PRESIDENT FOR ASIA AND JAPAN, CHAIR, CENTER FOR STRATEGIC
3 AND INTERNATIONAL STUDIES

4 Dr. Green: Thank you, Senator.

5 This committee has a lot to worry about around the
6 world. That is obvious. The American people, though,
7 consistently now in polls say that the Asia-Pacific region
8 is the most important region in the world to our interests.

9 The big question and the big uncertainty is the one
10 that Graham Allison highlighted at the beginning, the future
11 trajectory of China. There is good news and bad news for
12 the U.S. position in Asia. The good news is that most of
13 the leaders in the region Xi Jinping, Abe, Pakunai, spend 80
14 or 90 percent of their time worrying about how to grow their
15 economy, not how to fight with their neighbors. The U.S.
16 has exceptionally strong alliances in Asia. Our alliances
17 with Japan, Korea, Australia, measured by opinion polls, by
18 exercises have never been stronger, and we have new
19 partnerships with India and expanding relations with
20 countries like Vietnam and the Philippines.

21 With very few exceptions, our democratic principles
22 have far more attraction in Asia than the so-called Beijing
23 consensus of authoritarian rule. At CSIS, we have done
24 surveys of elites in Asia the past few years, and it is
25 unmistakably the case that what we represent, what countries

1 like Japan and Korea represent in democratic norms is what
2 most leaders see as the future of the region.

3 Our military capabilities, the expanse of our military
4 leadership dwarfs any other in the region still.

5 And Chinese leaders, despite their more aggressive
6 stance in the East and South China Seas, in the Himalayan
7 Mountains still consider stable U.S.-China relations a vital
8 interest for China's own development.

9 The bad news. China is developing, as this committee
10 knows well, so-called anti-access/area denial, A2/AD,
11 capabilities, targeting all of our forward bases with
12 ballistic missiles, crowding the Nur Sea, as Chinese
13 officials call it, with white hulled coast guard ships, PLA
14 action groups, fighters, drones, cyber, and anti-satellite
15 capabilities.

16 Second, despite the rebalance or pivot to Asia, China
17 has been undeterred from its most recent lightning campaign
18 to reclaim land and build military and paramilitary
19 facilities on half a dozen or more atolls throughout the
20 South China Sea. Now, there is an interesting chart here
21 and our website AMTI at CSIS. We have unique overhead
22 imagery that shows how quickly the Chinese have launched
23 these new facilities.

24 We suffer somewhat in Asia because our stance on Syria
25 and the Ukraine and other parts of the world raises

1 questions about our staying power and our willpower.

2 And finally, although we have the most capable military
3 in the world, I believe the Pentagon is increasingly facing
4 a devil's choice between retaining assets that are critical
5 for this maritime theater like carriers and investing in new
6 capabilities to deal with missile threats, cyber, and
7 anti-satellites.

8 So four things we might consider core to our strategy
9 going forward.

10 First, we have to take steps to enhance our deterrence
11 capabilities against these increasingly capable challengers,
12 not only China, but North Korea which is developing with the
13 KN-08 a possibility to hit the U.S. homeland. In the
14 1930's, when the Japanese Imperial Navy threatened our
15 forward bases in the Philippines and Guam, we took the wrong
16 approach. We let the Navy sink in size. We pulled back in
17 War Plan Orange. We figured we would fight across the
18 Pacific. Deterrence failed. The Japanese destroyed us in
19 the western Pacific.

20 In the 1980's, we again faced a threat to our forward
21 bases on islands. This time from Soviet ballistic missiles,
22 submarines, backfire bombers. Ronald Reagan took a
23 different approach. He doubled down, strengthened our
24 alliance ties with the Japanese, used the archipelago to
25 bottle up Soviet forces, recapitalize the Air Force and the

1 Navy. In 1979, Soviet boomers would operate with impunity
2 off the coast of Hawaii. In 1983, they were afraid to leave
3 the Sea of Okhotsk. Technologies changed. Political
4 systems changed, but I think the approach of the 1980's and
5 the maritime strategy offers the better lesson.

6 Second, we have to shore up the vulnerable states in
7 the island chain. And the first point is about deterrence
8 and frankly about warfighting and prevailing in the worst
9 and most dangerous scenarios. But to keep the peace, to win
10 the peace, we have to invest in what experts in the Pacific
11 Command now call shaping activities, dissuading China or
12 others from trying to pressure vulnerable states like the
13 Philippines or Vietnam. We have done some things like
14 advanced cooperation with the Philippines. But right now,
15 less than 1 percent of our foreign military finance
16 worldwide -- less than 1 percent -- goes to the Pacific. We
17 are doing very, very little in fact to help the Philippines
18 and other countries develop the kind of maritime domain
19 awareness and resilience they need to avoid a vacuum.

20 Third, as Kurt has highlighted, the Pentagon cannot do
21 this alone. We need an all-of-government approach, and in
22 that context, TPP is really critical. And Kurt put that
23 extremely well. If we cannot get TPP right, the rest of
24 this is going to matter but we are going to get -- I am a
25 Georgetown professor. Maybe I am an easy grader -- maybe a

1 B minus, but it is not going to be a place where we want to
2 be. If we get TPP right, we will start setting up momentum
3 and rules that will affect the overall strategic
4 environment.

5 And finally, we need to think about how we talk to and
6 talk about China. We have been very inconsistent in recent
7 years. At times we have embraced Xi Jinping's idea of a new
8 model of great power relations, which is a formula designed
9 to demote every one of our democratic allies and put the
10 U.S., China, the Russians as the great powers, Japan,
11 Australia, Korea as secondary powers. We embraced that
12 rhetoric. It was a mistake. We do not want to go there.

13 On the other hand, we need to be attentive to and
14 constantly working at confidence building, transparency with
15 China to avoid the kind of accidents that so often happen in
16 history. And for that to work, we have to be consistent in
17 our principles, in our defense capabilities, and in our
18 cooperation with allies.

19 Thank you.

20 [The prepared statement of Dr. Green follows:]

21

22

23

24

25

1 Chairman McCain: Admiral Roughead?
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 STATEMENT OF ADMIRAL GARY ROUGHEAD, USN, RETIRED,
2 ANNENBERG DISTINGUISHED VISITING FELLOW, HOOVER INSTITUTION

3 Mr. Roughead: Mr. Chairman, Senator Reed, members of
4 the committee, it is great to be here with you, and I will
5 be very brief in my remarks. I submitted a statement.

6 But as has been mentioned by the gentlemen to my right,
7 there is a lot going on in the world today, but the rise of
8 China, China's role in Asia is the long game. That is the
9 important game that will play out. It is a strategic
10 competition that only occurs once in decades, and that is
11 what we are going through.

12 The question is not whether China will become a
13 consequential power, but whether it will be the dominant
14 power in Asia, and do we in the United States accept that?

15 I think it is also important that as we think about the
16 Asia-Pacific region, that we must now begin to think about
17 the Indian Ocean as being part of that. That is the puck
18 that we have to skate to because as the military activity
19 there increases and becomes more complex, we will have to be
20 ready to move into that area. So that is the framing of the
21 force structure of the future is this Indo-Pacific region
22 and not just the Pacific littoral and the western Pacific.

23 I think it is also important that the significant
24 changes that are going on in the PLA today is not so much
25 the technology that we see coming onto the scene, but the

1 fact that President Xi has become the leader of a special
2 group to drive through reform in the PLA. It is best
3 captured by my good friend and I think the best PLA watcher,
4 Dave Finkelstein, who is at CNA, when he says that what is
5 happening now is that the PLA is going through their
6 Goldwater-Nichols moment. And what is happening is that the
7 changes that were enacted by this body that so transformed
8 the American military into what it is today -- that is what
9 the PLA is driving through.

10 He has many years left to do it, and he will do it.
11 They will be better prepared to operate in complex
12 environments. Their missions will be to defend at home, to
13 secure their interests abroad, to fight and win, which is a
14 bit of a different twist than the bide and hide strategies
15 of the past -- so they are coming out -- and to be viewed as
16 an international power of significance.

17 With regard to the South China Sea and the chart that
18 Mike put up there, that really needs to be viewed in terms
19 of maritime force structure. The capability to use those
20 improved land features really gives China an opportunity to
21 conduct operations in a way that only a maritime force can
22 do in that area, and I think we have to consider that.

23 With respect to our alliance structure, to me there is
24 nothing more important, and China is focusing on trying to
25 dismantle or weaken or unravel it. And it is very clear in

1 many of their writings and in venues where I have been the
2 talk of Asia for Asians continues to come through loud and
3 clear.

4 Now that said, I think it is still important that we
5 continue to engage with the PLA, but we really need to do it
6 in a way that is balanced. A lot of the activities that
7 have been undertaken before have been hosted by the United
8 States, conducted by the United States. It is now time in a
9 more balanced military-to-military relationship that we see
10 more of that activity taking place in China.

11 There is no question that we face some budgetary
12 issues, but the key for the military force structure of the
13 future is to provide some predictability, and under the
14 current circumstances with the Budget Control Act, the lack
15 of regular order, it is very difficult to plan the type
16 force structure that we are going to need going into the
17 future.

18 And the last point I would make, to echo what the
19 gentlemen to my right have said, is we cannot simply be a
20 military one-trick pony. As China is doing in Asia with
21 their Silk Road economic belt and their maritime Silk Road
22 and the changes to the PLA, there are two vectors. One is a
23 military strategy. One is an economic strategy. TPP and
24 our economic initiatives in Asia, coupled with our military
25 initiatives in Asia and our presence in Asia, is the

1 strategy that we have to pursue. And TPP and TPA is
2 extraordinarily important to send that message and to drive
3 that point home.

4 Thank you very much.

5 [The prepared statement of Mr. Roughead follows:]

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Chairman McCain: Thank you, Admiral.

2 It is interesting that all of the witnesses emphasize
3 the importance of TPP, and yet we hardly hear anything about
4 it here in Washington or amongst the American people. And
5 frankly, only the President and the administration can drive
6 that lesson home. But I thank the witnesses for their
7 emphasis on that. It does not require the construction of a
8 single additional ship or airplane.

9 Graham, I appreciate your referring to Lee Kuan Yew. I
10 remember meeting with him and asking him about China's
11 ambitions, and he said that the Chinese would gain control
12 of the western Pacific and tell us that we could do what we
13 want in the eastern force. Perhaps you recall that.

14 Dr. Campbell, you have been involved in your previous
15 work on this realignment of forces from Okinawa to Guam. I
16 am interested in your views on it. But I will say that
17 because Senator Sullivan has just come back from a visit
18 where his total emphasis was on this realignment issue, I
19 think he would be more qualified on that.

20 Admiral Roughead, the whole issue -- and this is kind
21 of going from macro to micro, but this issue of the drones.
22 You have said that we need to move boldly forward toward
23 unmanned capability and capacity in the Pacific and
24 specifically for the Navy to develop penetrating strike
25 capable carrier-launched UAV's. The present Navy plan does

1 not call for that. What is your response to that?

2 Mr. Roughead: Yes, sir. I think that what we really
3 need to do is to pursue those capabilities that I mentioned
4 in my statement. We are on the verge of being able to have
5 a carrier drone that is refuelable, that is both strike
6 capable, that is ISR capable, intelligence, surveillance,
7 and reconnaissance capable. But yet, we seem to be stepping
8 back from that.

9 Chairman McCain: Have you got any idea why?

10 Mr. Roughead: I believe it is probably driven by cost,
11 but I also think that we have looked at drones in the more
12 benign air atmosphere of Iraq and Afghanistan. The western
13 Pacific will not be like that. And it will be important
14 that we have that capability that can strike long, that can
15 stay airborne for a long time, that can operate away from
16 the carrier, not organic to the carrier. And those are the
17 technologies that we have. We are on the verge of realizing
18 it. I believe this week we are going to refuel in the air
19 an unmanned aircraft for the first time in history, and to
20 step back from that to start a whole new program -- and even
21 though I am sure that people in the budget shops can make
22 the numbers work -- it seems to me that we will end up
23 spending much more money in the long run to get to that
24 penetrating capability if we do not pursue the paths that we
25 are currently on.

1 Chairman McCain: Dr. Campbell, the one country we do
2 not hear much about that seems to me can be a major player
3 here is Indonesia, the world's largest Muslim nation and
4 certainly a growing economy, a vibrant nation. Where does
5 Indonesia fit into all of the equation here?

6 Dr. Campbell: It is a great question, Senator. You
7 know, if you had to make a list of the countries that were
8 important to the United States that we were not aware of
9 their importance, probably Indonesia, as you suggest, would
10 be at or near the top of the list, one of the world's
11 largest countries, huge island nation, generally a moderate
12 Muslim, multicultural nation, has been led very effectively
13 over the last 8 years. We have a new leader in place who is
14 still finding his feet, very much focused on domestic issues
15 and trying to spur the Indonesian economy out of very
16 difficult doldrums.

17 Ultimately Indonesia wants a better relationship with
18 the United States. They want to take it carefully with us.
19 I believe that there is enormous potential to try to build
20 the kind of relationship that will be essential if we want
21 to maintain peace and stability in Asia going forward.

22 The challenges will be that ultimately we need to
23 increase substantially investment, more people-to-people
24 engagement. Right now, most of the companies that work in
25 Indonesia from the United States are extractive, very little

1 manufacturing. Really it is not an investment climate that
2 has yet attracted the kinds and the scale of business that
3 we would like to see.

4 I think Jokowi is currently scheduled to come to the
5 United States later this year. The hope is at that time
6 that we will put in place a much more ambitious set of
7 objectives, more mil-to-mil coordination. In the past, that
8 has been hindered somewhat by human rights issues. I would
9 like very much for those to step up. I would like to see
10 more investment protocols. And I would like to see a
11 general recognition that we can work more closely together
12 across Asia.

13 Chairman McCain: Do you think it would be appropriate
14 for Jokowi to address a joint session of Congress?

15 Dr. Campbell: You know, Senator, to be honest, I am
16 not as knowledgeable about who ultimately gets the ticket
17 and who does not. Generally speaking, my preference is to
18 reward long periods of service, a recognition of
19 accomplishment, as opposed to doing it before they have
20 really taken the necessary steps. And so I would like to
21 see basically what he has in place. I would like to see
22 where he wants to take the country. And in fact, there has
23 been a lot of toing and froing. He spent a lot of time on
24 this execution matter. I would like to see more time in the
25 saddle personally.

1 Chairman McCain: And the chief of police.

2 Dr. Green, do you have a brief comment or Dr. Allison?

3 Dr. Allison: If I could go back to the question you
4 put to Gary Roughead about the drones or unmanned. So I
5 would say as a first approximation, think unmanned, or as
6 Hoss Cartwright -- and I know, Senator, you are a flyer, but
7 if you ask if unmanned aircraft or modes of transportation
8 had been impacted before manned aircraft, would anybody
9 imagine surveilling a site, delivering a product, bombing a
10 target by manned. And so the legacy systems are the main
11 reason why we continue to buy legacy systems, and it is hard
12 to get your head around the proposition that there is
13 another better, faster, cheaper, less dangerous way to do
14 this if you are a flyer or if you are running a carrier or
15 otherwise. I would say that is kind of 99 percent of the
16 explanation. But I think that is also, unfortunately, for
17 our legacy systems in each of the services.

18 So while I am a defense hawk in terms of the level of
19 effort -- that is, I do not think we have a defense budget
20 that is large enough. I think the things that we buy may be
21 as much a problem as the amount of money that we spend.

22 Dr. Green: I would just broaden slightly the point on
23 Indonesia and associate myself with what my friend Kurt
24 said. We have been episodic in our attention to Southeast
25 Asia. After we pulled out of Subic Bay and Clark in the

1 1990's, we have not engaged that region sufficiently. It is
2 now under duress. And I think we are going to have to
3 sustain engagement across Southeast Asia. American
4 companies know this. Our investment in the ASEAN countries
5 is greater than into China. But on the security and
6 diplomatic side, we have to pick up our game. Indonesia is
7 at the core, but I would just extend what Kurt said to
8 Thailand, to Singapore, to Malaysia and the entire region.

9 Chairman McCain: Senator Reed?

10 Senator Reed: Well, thank you, Mr. Chairman.

11 And thank you, gentlemen, for extraordinarily
12 insightful testimony. You have made a compelling case that
13 China is not only rising but doing so with extraordinary
14 momentum.

15 Let me, for the full picture, sort of look at it the
16 other way. Every great country has some critical internal
17 issues, some potential challenges that they cannot face.
18 China has to continually worry about employing millions of
19 people. They have resource issues. They have environmental
20 issues. I hear periodically of the threatened collapse of
21 their banking system. That shows up every 6 months in the
22 "Financial Times." And if I was the leader of China and
23 someone showed me a 3D printer, I would say -- well, I
24 cannot say it here. But the technology could be
25 extraordinarily destabilizing to China more so than the

1 West.

2 Can I just get your comments, starting with Professor
3 Allison, about what are the fault lines? What are the
4 issues which they could come off the rails? I think we have
5 to see both sides of the story, not just the power but the
6 challenges. Dr. Allison?

7 Dr. Allison: Thank you very much, Senator Reed.

8 I think if you think of Xi Jinping's inbox -- I talked
9 to Lee Kuan Yew at length about this. And in the chapter on
10 the future of China, he has got the best description of the
11 vulnerabilities and weaknesses of China that I have seen.
12 He said, oh, my goodness. This person has the most daunting
13 inbox imaginable.

14 First, China has grown at double digits on average for
15 30 years. It is now trying to maintain a super level of
16 growth of 7 percent. This is walking a very high wire act,
17 and he has created expectations of very high levels of
18 economic growth. So that is unprecedented. Now, it is hard
19 to keep going.

20 Secondly, the Communist Party, the Mandarins, run
21 China. Their only mandate for their monopoly of political
22 power is their delivery of improved income and lifestyles
23 for citizens. So if they fail to do that, they have got a
24 problem with stability.

25 Third, you cannot breathe the air in Beijing. When you

1 go to Beijing -- like this is impossible. So everybody is
2 thinking what about this. So they got a big, big pollution
3 problem. They got a climate problem.

4 They have an aging workforce. They are likely to
5 become old before they become rich. They got a demographic
6 problem. They got a problem that none of their neighbors
7 like them.

8 So I would say his list of problems, if he were
9 thinking about it rationally, which I think he does -- he
10 has got more than enough things to do at home.

11 So then the question is -- you say, well, why is he
12 becoming more assertive abroad? And I would say think again
13 in Thucydidean terms. As the country becomes bigger and
14 stronger, it comes to think of its interests as deserving
15 more respect, and it comes to think of its ability to
16 influence events to be more natural. So the proposition
17 that as China becomes bigger and stronger, it will become
18 inherently more influential and assertive I think is given
19 in the structure of history.

20 Now, how we then adjust that and adapt it is a
21 different problem. But I would say if he were to sit down
22 and think about his problems, the best thing that he could
23 have would be a world that left him alone for 10 or 20 or 30
24 years. The fact that he is not doing that but is also being
25 more assertive I think has to do with the fact that in terms

1 of Chinese nationalism and in terms of the Chinese
2 population, Chinese are proud now. They want to be proud.
3 The China dream is we are going to be so rich and so
4 powerful that we will command respect for our interests.

5 Their expression of this, particularly in the South
6 China Sea, I think we will see more of. Their expression of
7 this in the Asia Development Bank we will see more of. So
8 what we have seen there are just the beginning of what I
9 would say we are going to see more and more and more of.

10 Now, does this inevitably mean we end up in a conflict?
11 I do not think so, but I think it will require a whole lot
12 more and different creativity than thinking that we will
13 just shore up our relations with the Philippines or we will
14 do a little bit about this or we will do a little bit about
15 that. I think we are currently still kind of in the
16 unreality zone with respect to our potential response.

17 Senator Reed: Dr. Campbell, quickly and Dr. Green and
18 Admiral Roughead, just quickly please.

19 Dr. Campbell: I will not go through -- I think that is
20 a good litany that Graham has laid out about all the
21 challenges. I will talk about one other one, Senator. And
22 I do want to commend you.

23 You know, we have a tendency to do this 10-foot-high
24 tallism about any country that we face, and it is important
25 to keep in mind that China has huge challenges ahead, and I

1 think that is critical. They also have some substantial
2 resources to deal with them.

3 My biggest concern right now is that I think what we
4 see is a leader that is practicing some really unprecedented
5 steps in China. So I think what we do not fully recognize,
6 that 2 years ago in China, we really had a collective
7 leadership, and almost all decisions were taken in a very
8 complex bureaucracy. Today, after what can only be
9 described as a bureaucratic blitzkrieg, we have a leader --
10 and I got to spend quite a bit of time with him -- who makes
11 basically every decision in China. So every leading group,
12 every economic central decision about interest rates, about
13 matters associated with foreign business is essentially
14 taken by Xi Jinping. So he has woven himself into the very
15 center of power in China.

16 I think there are a lot of challenges with that. What
17 that means is that there is no one issue that he has the
18 ability to spend very much time on.

19 Second, I am struck by -- he has managed, Senator Reed,
20 to discourage a lot of impropriety inside government. A lot
21 of people are more worried about taking steps that could
22 lead to accusations of graft or incompetence. But at the
23 same time, a lot of people do not want to take steps at all.
24 Like they just want to hunker down as if they are hopeful
25 that this will pass. So there is not a lot of action being

1 taken on some of the reform agenda that he has laid out.

2 And ultimately, Senator Reed, I think for China to be
3 effective right now, as they move from basically a
4 state-led, export-led growth model to one that is about
5 domestic consumption and domestic driving of the economy,
6 ultimately that is about the devolution of power and
7 responsibility at a time where I think he is actually
8 gathering it at the center. And I think in some respects it
9 is contradictory to the aspirational goals he has laid out
10 for China. If you work late at night, the ghosts that
11 surround him probably are mostly of Gorbachev, and this
12 dramatic determination not to go down this path. But in
13 fact, some of the steps that he is taking will make the
14 system I think more brittle, not more robust. And I think
15 at the heart of the challenges that China faces, amplified
16 by all the things that Graham has suggested, is a
17 decision-led model that is incompatible with the fundamental
18 challenges of a 21st century economy.

19 Senator Reed: Dr. Green?

20 Dr. Green: The Chinese --

21 Senator Reed: Because the time is so short for my
22 colleagues, we have to -- please quickly.

23 Dr. Green: I would just say since Deng Xiaoping, the
24 Chinese Communist Party has relied on two things for its
25 legitimacy: first, economic growth but also national

1 security and nationalism. If these woes pile up and
2 overwhelm Xi Jinping, his successor may decide it is time
3 for greater reform, but it is just as possible in my view
4 that they will shift everything to the national
5 security/nationalism front.

6 So this is why TPP is so important because it creates
7 an external structure that reforms in China are already
8 pointing to to make the argument that reform on the economic
9 side is the better way to go.

10 Senator Reed: Thank you.

11 And, Admiral Roughead, if you have a comment.

12 Mr. Roughead: The only thing I would say that I think
13 China in the long term is going to have to deal with besides
14 its demographic is I submit that they are going to have
15 severe water problems, and then that water issue will move
16 into South Asia, Southeast Asia and set up some significant
17 friction in the future. That is going to be a problem.

18 Senator Reed: Thank you.

19 Thank you, Mr. Chairman.

20 Chairman McCain: Senator Wicker?

21 Senator Wicker: Thank you.

22 Dr. Campbell, I am actually encouraged that you would
23 say the history of the 21st century is going to be written
24 in the Asia-Pacific. To the extent that the history of the
25 21st century is not written in the former states of the

1 Soviet Union, I think that is a good thing. If the history
2 of the 21st century is not written in Iran, I am happy about
3 that.

4 I think it is a challenge for us all, and I appreciate
5 what you have all said about trade. And I subscribe to the
6 statements made by the chairman of this committee about the
7 importance of TPP. And of course, we will not get the
8 Trans-Pacific Partnership without trade promotion given to
9 our President to actually negotiate something that can
10 stick. So it is a challenge for us all.

11 Dr. Campbell, let me mention two things mentioned by
12 your fellow panelists and get you to comment on that.
13 Admiral Roughead says China seeks to diminish the
14 strengthened efficacy of the Pacific alliance structure that
15 has been the foundation of regional stability. And the
16 importance of our alliance relationships and cooperation
17 with key partners in the region must be reinforced.

18 Now Dr. Green says Southeast Asia is under duress.

19 Let me ask you about both of those. And Dr. Green
20 mentioned Thailand, Singapore, Malaysia in addition to
21 Indonesia which have already been mentioned.

22 So let us go, for example, to Thailand. Do you agree
23 with Dr. Green that Southeast Asia is under duress?
24 Thailand, Singapore, Malaysia -- are they under duress? And
25 are they the type of key partners in the region that China

1 would seek to diminish the efficacy of our relationship
2 with?

3 Dr. Campbell: Thank you, Senator. Very good
4 questions.

5 I do want to say one thing. Not only is TPP critical,
6 but in fact the passing of the IMF quota is also critical as
7 well. A lot of blame to go around there, but in fact a lot
8 of the roots of this Asian Development Bank debacle,
9 frankly, are a consequence of us not stepping up and taking
10 the necessary steps.

11 First of all, let me just strongly associate with
12 everyone on this panel. The most important thing that the
13 United States can do is to secure our longstanding allies.
14 For many people that serve at the highest level in
15 Government, what is considered to be really exciting is the
16 high-level diplomacy with China. It is imbued with this
17 sense of romance. And it is important. It is absolutely
18 critical. It needs to be sustained.

19 Working on alliance issues are really difficult.
20 Right? It is about stationing our forces in another
21 democratic country's soil. It is a very hard thing to do.
22 It sometimes requires intense, very hard decisions. Working
23 with Japan, South Korea, Australia, Philippines, Thailand,
24 our formal alliance countries, is going to be central going
25 forward.

1 I do believe most of the countries in Southeast Asia
2 are under duress, Senator. I believe the country that we
3 need to really stand behind currently is the Philippines. I
4 would like to see a renaissance in that relationship. I
5 would like to see us take steps to build a stronger
6 relationship with Vietnam. I agree with the Senator about
7 Indonesia. I am excited about the opening to Myanmar. I
8 understand the challenges that --

9 Senator Wicker: How is our relationship with Thailand?

10 Dr. Campbell: I think our relationship with Thailand
11 right now is strained for a variety of reasons. I would
12 like to see us deepen a dialogue with the current
13 government. I would like to be clear that we have an
14 essential military and security relationship with that
15 country that has to be sustained. However, it is also the
16 case that the current government needs to represent and
17 understand that a move towards a true democracy is in the
18 long-term best interests of Thailand. And trying to jigger
19 the system in such a way that a small elite can sustain
20 power over a long period of time I think is contrary to our
21 values.

22 So it is a balancing act. We have got to show Thailand
23 respect. We have got to work with them. They worked very
24 closely with China. They are a central player in ASEAN.
25 They are our longest and oldest standing treaty partner in

1 Asia. I would very much like to see us develop more of a
2 dialogue with the government. I believe we could do more to
3 help create -- I do not want to say a government of national
4 unity, but we need to bridge these terrible divisions that
5 exist in Thailand, and we can do more to assist in that. I
6 really believe that.

7 Senator Wicker: Thank you.

8 And thank you, Mr. Chairman.

9 Chairman McCain: Senator Shaheen?

10 Senator Shaheen: Thank you, Mr. Chairman.

11 Admiral Roughead, I want to go back to -- because I did
12 not quite understand a point that you made earlier. When
13 you were talking about drones, you talked about the benign
14 airspace in Iraq and Afghanistan. Were you talking about
15 that in terms of no other drones being in the airspace? Can
16 you explain a little bit more what you were saying?

17 Mr. Roughead: Yes, ma'am. For the past decade, we
18 have flown with impunity in Iraq and Afghanistan, no threat
19 of anti-air weapons coming at us. The western Pacific and
20 the capabilities that are being fielded by China -- that is
21 a completely different ball game. It is going to be a tough
22 space to work in, and what we have used in the past, the
23 capabilities and the technology, does not equate to that
24 environment.

25 Senator Shaheen: So you were suggesting that our

1 drones could be shot down, not that China is going to be
2 competing in terms of drones that they would be using and
3 developing.

4 Mr. Roughead: Absolutely. China -- if you look at
5 what they are producing now, they are moving into the drone
6 space. They will not be drone on drone, but they are going
7 to be in that space as well.

8 Senator Shaheen: In your testimony, you talked about
9 the transformation of China's military not just in terms of
10 the equipment and all but the organization and culture. Can
11 you talk about what has accounted for that? Has it been the
12 leadership issues that Dr. Campbell talked about, or has
13 this been part of a long-term plan in China?

14 Mr. Roughead: Well, I think it has been part of a
15 long-term plan. The Chinese went to school with us starting
16 in 1996 after Taiwan. They watched our capabilities evolve
17 in the Middle East and our effectiveness because we are a
18 joint force. That is where they have wanted to go, but as
19 many of the people here who were present at the creation of
20 Goldwater-Nichols know, there is a heck of a lot of inertia
21 to overcome culturally. And that is what is taking place in
22 China today.

23 Xi Jinping will drive that through. We are beginning
24 to see organizational changes. We are beginning to see more
25 of an emphasis on the navy and the air force and the missile

1 forces, less on the army because they perceive their
2 challenges and their threats to not be on their land borders
3 but really the maritime space. That is what he is going to
4 drive. And you can see the change in the people. You can
5 see the sophistication, their ability to engage, their
6 comfort, and their pride in operating internationally in
7 ways that did not even happen 5 or 6 years ago.

8 Senator Shaheen: Thank you.

9 You have all talked about the importance of TPP, and I
10 think many of us here would agree that that is very
11 important. One of the concerns that we have heard from the
12 Senate before that I expect to be expressed again is
13 relative to currency manipulation. And I think that will be
14 raised again as part of TPP with some success or not. It is
15 not clear yet. But what will be China's reaction to our
16 efforts to address that as part of any agreement? Graham?

17 Dr. Allison: I would say currency manipulation,
18 unfortunately, particularly after quantitative easing, is in
19 the eye of the beholder. Is the EU involved in currency
20 manipulation? They announced that they were going to have
21 an expansion of money, and the euro has fallen sharply
22 compared to the dollar. So I think this has become an
23 extremely difficult and tricky issue.

24 The main reason why I think TPP is good for us -- there
25 are two reasons. First, I think it is good for our economy.

1 And in the testimony I submitted, one of the points at the
2 end was what happens inside a country is much more important
3 or at least as important as what happens outside the
4 country. So if you ask yourself, as I do, about the 21st
5 century just in the last 15 years, which has had the bigger
6 impact on the Chinese-American relationship. What China has
7 done to build itself up or what Americans have done to tear
8 ourselves down? I think we could think about that for a
9 long time.

10 TPP is one way to improve the performance of a lousy
11 economy. Our economy has not grown more than 2 percent on
12 average for the whole 21st century. If we stick at 2
13 percent for a long time, the rest of the story is not going
14 to be very interesting if China grows at three times the
15 rate. So this is about our economic wellbeing. That is
16 first.

17 Secondly, as Kurt said rightly, in the region it is our
18 effort against China to create and construct a rule-based
19 trading system at a higher level that China would not become
20 part of. China understands this very well. So this is a
21 struggle, and if they win, this is going to be a big black
22 mark for us.

23 Senator Shaheen: Thank you.

24 Thank you, Mr. Chairman.

25 Chairman McCain: Senator Sullivan?

1 Senator Sullivan: Thank you, Mr. Chairman.

2 Thank you, gentlemen, for your testimony. As the
3 chairman mentioned, I did just get back from a trip to the
4 region. I was in Hawaii, Guam, Okinawa, Tokyo, and of
5 course, Alaska, which we consider part of the Asia-Pacific.
6 And I have also spent a fair amount of time in the region as
7 an Assistant Secretary of State working on economic issues
8 and as a marine deployed out there.

9 I first want to commend the committee, Chairman McCain,
10 Senator Reed. One of my first takeaways from this trip, was
11 with regard to the redeployment of forces, which is just the
12 absolutely critical role that committee members on both
13 sides of the aisle have played with regard to the oversight
14 of the costs and the timelines. I think that this committee
15 has brought some strong sense of reality to some earlier
16 plans that needed a gut check. So we are going to continue
17 to do that.

18 But, Dr. Green, I wanted to just ask you, given the
19 amount of time you have spent on this, are you confident
20 that the realignment of military forces from Okinawa to Guam
21 can be executed at the current costs under current political
22 assumptions? I think that, again, as the chairman was
23 focused on previously, previous costs and assumptions were,
24 I think, way off the chart. What is your sense on that? It
25 certainly seems like the Japanese are very motivated. One

1 of my concerns continuing is the timeline, the move of
2 forces anywhere, literally decades.

3 Dr. Green: The whole plan, including a brigade in
4 Hawaii and the whole plan -- I would not bet that it can
5 come in under cost because no one knows yet what the whole
6 plan will actually cost.

7 I think the plan for redeploying the marines, which has
8 roots in the Clinton, Bush, and Obama administrations -- it
9 has been a bipartisan struggle and effort -- has merit at
10 the strategic level and political level in the region
11 because we need to take the burden off of Okinawa. We need
12 to engage more, as some of us were saying, in Southeast
13 Asia. We need to be present. We need to have access to
14 more runways, to more facilities because the core ones are
15 under risk of ballistic missile threats. So strategically
16 there is enormous merit.

17 Operationally there is also merit because in Southeast
18 Asia you are going to have better opportunities for the
19 marines to engage. And the marines will have a force that
20 integrates some of our most important partners, the Koreans,
21 the Australians, the Japanese, the New Zealanders. They are
22 all creating marine corps. There will never be another
23 marine corps, of course, Colonel. But they are creating
24 virtual marine corps. They want amphibious capabilities and
25 they are training with us in Northern Marianas and Japan and

1 now we are going to be doing it in Australia. That is huge
2 in terms of interoperability with our allies and partners.

3 Operationally the down-side risk is lift.

4 Senator Sullivan: Can I mention that? That was the
5 next question I wanted to get at, and whether you or Admiral
6 Roughead -- you want to take that on? One of the things
7 that I certainly saw on this trip was as you are looking at
8 redeploying forces to Hawaii, to Guam, to Australia, you
9 have this opportunity of spreading them out, but also the
10 issue of strategic lift certainly was something that jumped
11 out to me with regard to -- particularly if there is a
12 contingency. You know, Australia is a pretty darned faraway
13 place. Do you think we have the lift capabilities right
14 now, Admiral Roughead, whether it is strategic lift of the
15 Air Force or additional ARG's in the Navy?

16 Mr. Roughead: No, sir, I do not. I think that if we
17 are going to redistribute the marines in the Pacific -- and
18 I think it is hugely important -- they have to have a way to
19 move around, and to simply say that we will take one of our
20 existing ARG's and focus it in Southeast Asia, which is
21 where I think it is needed the most, will ring hollow.

22 At the end of the day, given the amount of money and
23 time that we will spend on the infrastructure to base those
24 forces, I believe that a better approach is to add an
25 additional ARG, amphibious ready group, and dedicate it to

1 Southeast Asia and the Indian Ocean. This would also allow
2 marines or other service units even to deploy from the
3 continental United States and float there. I think that is
4 what is needed. I think it will reinforce our presence
5 strongly and moreover, it will integrate very well with the
6 capabilities that we see some of our allies building in the
7 region. It is expensive, to be sure. But I do believe that
8 it will be a heck of a lot less expensive than some of the
9 infrastructure that we are talking about.

10 Dr. Green: I would agree with that and very briefly
11 add we should be working on a regional lift capability. The
12 ARG gives you maneuver from the sea, but high-speed vessels,
13 Australian, Japanese, U.S. -- we ought to have a regional
14 capability for moving our amphibious forces and all our
15 forces in peacetime and for maneuvers and exercises.

16 Senator Sullivan: Thank you.

17 Thank you, Mr. Chairman.

18 Chairman McCain: Do you think we are finally on track,
19 Dr. Green, Dr. Campbell, Admiral?

20 Dr. Green: Well, as Deng Xiaoping liked to say, you
21 cross the river by feeling one pebble at a time.

22 I am sure the Senator heard this in Japan, but momentum
23 on this matters. And this committee has done the right
24 thing keeping momentum going. My bias would be to approve
25 milcon and other things that we know we will need, and the

1 milcon now on the table I think fits that category. Further
2 down the road, there will be legitimate questions about
3 whether some of the investments are things we are really
4 going to need, given what the size of the Marine Corps might
5 be, what the threat environment might be.

6 So a very robust, iterative approach between the
7 Department of Defense and this committee I think is critical
8 because the plan we are on now I do not think in a linear
9 way we are going to implement in 20 years. It is going to
10 eddy and turn and adjust, and the Congress and the
11 administration have got to be partners in that and honest
12 about costs.

13 Chairman McCain: It has had quite a few twists and
14 turns and curves.

15 Dr. Campbell, did you want to --

16 Dr. Campbell: All I would just say, Senator -- I first
17 started working on Okinawa on this particular base 20 years
18 ago, and if you told me --

19 Chairman McCain: I remember.

20 Dr. Campbell: -- this issue had not resolved really
21 fundamentally, I would have been surprised.

22 Senator Sullivan: I was stationed there 20 years ago.

23 Dr. Campbell: So you know what that was like then,
24 Senator.

25 So all I would say, generally speaking, I think the

1 oversight and the focus that this committee has had
2 propelled the Defense Department to do the right things
3 here, and I think we have a plan that, if it continues, will
4 disperse our forces. I like very much what Admiral Roughead
5 has laid out. We are going to need more capabilities. It
6 is just undeniable if we are going to be effective in Asia.
7 We have been using the term "rebalance." We are very well
8 positioned in Northeast Asia. We are not as well positioned
9 in Southeast Asia and into the Indian Ocean, and that is
10 where we need our focus going forward.

11 Chairman McCain: Senator Hirono?

12 Senator Hirono: Thank you very much, Mr. Chairman.

13 All of you have talked about how important TPP is, and
14 as China watches our efforts and getting agreements with 11
15 other countries, what are they doing in terms of any trade
16 agreements that they are pursuing in this area of the world?
17 Anyone?

18 Dr. Green: The Chinese preference was bilateral free
19 trade agreements within Asia, which gives the larger power,
20 in this case China, advantage, or the regional conference of
21 economic partnership, a trade agreement of 18 countries in
22 the region that we are not in.

23 At CSIS, we did surveys of elites in all the APEC
24 countries, and what was interesting was the Chinese elites
25 said in the survey late last year that they thought that TPP

1 was now the most significant of these groupings. And so it
2 was interesting that Xi Jinping, when he hosted APEC last
3 November, made in addition to the Asian Infrastructure
4 Investment Bank, which is part of their pushback and
5 counterproposal, he also said that the APEC countries should
6 move to a free trade area of the Asia-Pacific. In other
7 words, put China in this process, leapfrog to something
8 broader.

9 What that tells you is the Chinese think TPP has real
10 momentum, and Chinese economic reformers point to it. It
11 will be a long time before China is ready to be in something
12 like TPP, but I think the Chinese leaders see momentum
13 behind it. And that is why it will be such a squandered
14 opportunity if we let it fall apart in the next year.

15 Senator Hirono: Dr. Campbell?

16 Dr. Campbell: This is one of the things that is going
17 to be hard for us. And this is why the challenge is so
18 dramatic. We do not have very much in our history of
19 foreign policy that really prepares us for China. We had a
20 lot of black and white challenges like the former Soviet
21 Union. But the challenge of China is they are going to both
22 compete with us relentlessly and they are also going to
23 cooperate with us.

24 And so the irony that we are going to face -- I
25 completely agree with what Dr. Green has laid out about TPP.

1 It is entirely possible that if this is concluded, in the
2 next round the Chinese are going to want to talk about the
3 possibility of participating because the interesting thing,
4 if you look at the last 30 years of Chinese economic
5 performance, every major jump in their economy has been
6 associated with either joining an international agreement,
7 GATT, MFN, and the like, and they realize that if TPP is
8 effective in bolting and bolstering Japan, it could do the
9 same thing for the challenges that they face in terms of
10 state-owned enterprises. So their strategy will be both to
11 create new institutions to compete with ours and to also
12 join some of the institutions that we lead. That is the
13 mixture of the Chinese strategy.

14 Dr. Allison: Let me disagree slightly with my good
15 friend Kurt because I think to your question, what are the
16 Chinese doing to the particular countries in question. And
17 again, to go back to Lee Kuan Yew, we asked him the
18 question, how does China behave when it is relatively
19 stronger than a neighbor? And their neighbors are exactly
20 the people who we are trying to sign up for TPP. And here
21 his quote. He says we already see this in Singapore.
22 Quote. They expect Singaporeans to be more respectful of
23 China as it grows more powerful and influential. They tell
24 us all countries, big or small, we are not a hegemon. But
25 when we do something they do not like, they say you have

1 made 1.3 billion people unhappy. Know your place.

2 Senator Hirono: I would say the countries we are
3 dealing with in TPP -- they would be much better off in the
4 kind of system that we are promoting as opposed to dealing
5 with a huge, powerful entity like China.

6 It appears that what China does is they look for
7 opportunities where there is a vacuum, economic power
8 vacuum, military vacuum, and they move in.

9 Some of you have said that it is really important for
10 us to maintain our alliances, particularly our alliances in
11 these areas, that we should not be taking any of these
12 countries for granted.

13 Mr. Campbell, I think you mentioned that we should
14 strengthen our relationships, our efforts with the
15 Philippines. Can you be more specific as to exactly what we
16 ought to be doing with the Philippines?

17 Dr. Campbell: Everything. One of the most important
18 things. When Asian leaders come to the United States, we
19 need to give them more face. We need to give them more
20 time. We need to give them opportunities to speak. I
21 cannot underscore how important that is at the basic level.
22 I would like to see Philippines-U.S. trade grow
23 substantially. I would like to work on particular -- the
24 Philippines has some specific challenges, but there are some
25 initiatives that would allow for greater interaction between

1 the two. I would like us to have much more mil-to-mil
2 engagement going forward. I think Mike laid out very
3 clearly -- you know, we give them very little in the way of
4 support. What we do provide for them is older military
5 equipment that has been retired from our service.

6 I think we have a long, powerful tradition with them.
7 I would like to see that embraced much more significantly.
8 I just think across the board I would like to see the
9 U.S.-Philippine relationship grow much, much stronger. They
10 have been through a difficult period, but I think there is a
11 recognition in both countries that we can do much more
12 together, investment, huge -- I mean, if you look at the
13 great success stories of Asia the last 5 years, the
14 Philippines is at the top of that list. Remarkable
15 achievements. The current president has gone against
16 corruption. The Philippines is growing 5 to 7 percent. I
17 am very bullish. I would like to see much more focus on
18 that going forward.

19 Senator Hirono: Mr. Chairman, if you do not mind.
20 Would the rest of you agree that we need to provide a lot
21 more of that kind of focused attention, face time,
22 acknowledgement of the importance of those alliances, paying
23 more than basically lip service, as we are consumed by what
24 is going on in the Middle East and other parts of the world?

25 Mr. Roughead: Yes, ma'am. I would like to just add to

1 the Philippines. I think it is also important that we work
2 with the Philippine military on some of the basic reforms
3 and fundamental reforms there.

4 And also, to go back to what Dr. Campbell said about
5 Thailand, they have veered off course. I think it is
6 important that we retain particularly the military
7 relationship and the alliance that we enjoy. They need to
8 come back on course. But I also believe on the economic
9 side there are steps that they need to do to get their
10 economy going.

11 But the Southeast Asian allies and likeminded partners
12 are going to be key going into the future.

13 Senator Hirono: Thank you.

14 Thank you, Mr. Chairman.

15 Dr. Green: Just briefly to give you an idea of what
16 the Philippines have gone through recently. In the contest
17 with China over atolls like the Scarborough Shoals, the
18 Chinese embargoed, cut off imports of food from the
19 Philippines, a complete violation of WTO, a pure mercantile
20 act. It is bribery and espionage in the Philippines to
21 undermine the political system. They sent in ships to
22 essentially push the Philippines out of Scarborough Shoals
23 where Philippine fishermen fished for hundreds of years and
24 cannot go anywhere near it anymore. They have been through
25 a lot because of China's growing pains. And this is an

1 interest of ours. They are an ally. In other words, as
2 Kurt said, we should be doing everything.

3 Senator Hirono: Thank you.

4 Dr. Allison: I disagree. I would ask what the
5 Philippines has done for us, but that would be a long
6 conversation.

7 Senator Hirono: Thank you, Mr. Chairman.

8 Chairman McCain: Senator Kaine?

9 Senator Kaine: Thank you, Mr. Chairman.

10 And to the witnesses, I have gone to school off my
11 colleagues' questions, and I just would like you to address
12 one item that has not been addressed yet although, Admiral
13 Roughead, you pointed the way to it when you used the phrase
14 "Indo-Pacific." As part of a broader Asia strategy,
15 longer-term Asia strategy, talk about the U.S.-India
16 relationship and how that fits in. The new government of
17 India and Prime Minister Modi is sort of breaking away from
18 a traditional, non-aligned position. I think there are more
19 opportunities for U.S.-Indian military cooperation. We are
20 already seeing that. More opportunities for opening up the
21 Indian economy. We are so tied culturally. We are so tied
22 by small "D" democratic traditions. How does the U.S.-India
23 relationship going forward fit into a broader Asia strategy?
24 And I would like each of you to address that. That is my
25 only question.

1 Mr. Roughead: I will start on this end. From the
2 military-to-military dimension, I think that we should
3 aggressively pursue that. I think there are opportunities
4 for more technical transfer. I also believe that we should
5 engage in a more robust personnel -- I will not call it an
6 exchange program because that tends to imbalance it, but I
7 think we need to look at how can we better bring our
8 militaries together because there are natural alignments.
9 There is still some tension, I think, in India and we cannot
10 become upset if they pursue some programs with the French or
11 you pick it. But we really need to have an open mind with
12 India. They are going to be the key player in the Indian
13 Ocean, and the closer we are to them, the better it will be.

14 Dr. Green: I think the Indian-U.S. security
15 relationship is going to be a growth area for the coming
16 decade. There are going to be limitations. The Indian army
17 still has to worry about internal insurgencies, still has to
18 worry about Pakistan. But under Prime Minister Modi,
19 India's navy and its air force and India's ministry of
20 external affairs is much more willing to play in the great
21 power game not only of the Indian Ocean, but also Southeast
22 Asia and the South China Sea. And they are developing
23 partnerships with Japan, for example, or with Australia that
24 are very much on a pace with what they are doing with us.

25 Dr. Campbell: Senator, thanks for the question.

1 When I was in Government, I had a very extensive set of
2 dialogues around Asia with my Indian colleagues, you know,
3 sometimes a challenging dialogue, as you know, with Indian
4 friends. And sometimes when they got really angry about
5 something, I would sit them down. I said, look, I am going
6 to put the knife in and it is going to really hurt. He
7 would sort of get ready, and I would say the United States
8 and India are destined to be close friends over time. That
9 is a bitter blow to their nationalism, to their sense of
10 identity, but in truth, there is a new generation in India
11 that really understands that they need and want a better
12 relationship with the United States.

13 I believe fundamentally -- what the Admiral and Dr.
14 Green have said -- not only is defense a growth area, every
15 aspect of economic performance, infrastructure issues,
16 matters relating to innovation, India will be at the
17 forefront. And their natural partners in this are the
18 United States. And so I am very bullish. It is going to be
19 challenging. It is going to be a difficult challenge. But
20 we are going to be much closer together in 10 years than we
21 are today.

22 Dr. Allison: I think I have come today to be the skunk
23 at all of this discussion. But I would say India is the
24 country of the future and is likely always to be so. We
25 asked Lee Kuan Yew about whether since India is a democracy

1 and is going to have a larger population than China, it
2 would become a rival of China in the economic competition in
3 Asia. And again, there is a chapter here called "The Future
4 of India," and he says do not use India and China in the
5 same breath. And then he goes on from there.

6 My colleague in doing this is Bob Blackwell who was the
7 ambassador in the Bush administration who managed a good
8 part of the realignment.

9 I think India will need the U.S. greatly because it
10 feels very threatened by China, as will all the other
11 parties. But I would say we are Americans first, and we
12 should ask first what are they doing for us. So that is a
13 little bit of a different view.

14 Chairman McCain: I suggest you meet Mr. Modi. I think
15 you are going to see a big change in India, for the first
16 time a very strong leader.

17 Senator Blumenthal?

18 Senator Blumenthal: Thanks, Mr. Chairman, and thank
19 you for having this hearing, and to our witnesses for your
20 very insightful and helpful testimonies so far.

21 Admiral Roughead, I want to follow up on one of the
22 points in your testimony about submarines in the Pacific,
23 your advice that we -- and I am quoting -- increase the size
24 of our submarine force to meet the increasing need in the
25 Pacific and the Indian Ocean.

1 As you well know, we are increasing the number of
2 submarines. We are building two a year. And at the same
3 time, as you also know -- and I am not giving any classified
4 information to you because there was a report in the Sunday
5 Times about the three new Chinese submarines and their
6 missile capability. To what extent do you think we are
7 adequately addressing that threat? Because I view submarine
8 undersea warfare as really at the crux, at the core of our
9 defense capability in that area.

10 Mr. Roughead: Yes, sir. I would say that our undersea
11 warfare capability now is unchallenged. But as submarines
12 proliferate in the Indo-Pacific region -- and they are.
13 China just agreed to sell Pakistan eight submarines, for
14 example -- the fielding of a sea-based strategic nuclear
15 deterrent by India and China, submarines are going to
16 become, I believe, the significant force in the Indo-Pacific
17 region. The best way to go after a submarine is with
18 another submarine. And the geographic expanse, the time,
19 and the distance that will be involved in moving our
20 submarines around to me argues for a larger submarine force.
21 As challenging as that will be, we need to move in that
22 direction.

23 Senator Blumenthal: Thank you.

24 I would like to ask a broader question of all the
25 panelists beginning with Dr. Allison. To somewhat

1 oversimplify, the pattern in Europe, in NATO has been that
2 our commitment of increasing resources to the defense there
3 has been accompanied by, maybe even caused, a reduction in
4 the commitments of our allies there. In effect, we have
5 taken over a lot of the burden. How do we avoid the same
6 happening in the Pacific area among our allies?

7 Dr. Allison: It is a great question.

8 If I could do just one footnote on the previous
9 question, I would say subsurface unmanned is also a big
10 domain and going to be bigger and bigger. It is big for
11 China. It could be big for us.

12 But with respect to your fundamental question, it is a
13 very fundamental question. And I think we should recognize
14 that in terms of NATO today, basically we provide the
15 defense for Europeans who are as wealthy as we are. And one
16 could ask, well, how much sense does this make? And the
17 answer is, well, it is complicated. And we tell them if you
18 do not do 2 percent -- I mean, I gave speeches about they
19 should do 2 percent when I was working for Secretary
20 Weinberger in the Reagan administration. They never do 2
21 percent, and they are not going to do 2 percent because as
22 long as uncle will defend me, why do I need to defend
23 myself? I think that is a fundamental dilemma.

24 I think in the case of Asia, as China is bigger and
25 stronger, all of the parties will feel more threatened. And

1 Americans, particularly Americans in the diplomacy world,
2 think, oh, my God. All these people love us because
3 whenever we come, they say come, come, help, help, give us,
4 give us. Surprise. Excuse me. You show up anywhere. If
5 you come, give, support, secure, provide, everybody says
6 that sounds like a very good idea.

7 So I think a challenge for us will be to figure out
8 which of the countries we have interest in, and we have to
9 have a hierarchy of those interests. And I do not think
10 they are all vital to us. I do not think every rock and
11 every shoal is vital to the U.S. And then we need to think
12 for those that are our allies, our treaty allies to whom we
13 give defense commitments like Japan, we figure out in detail
14 what it is that is required from them and what is required
15 from us, and we try to make some of this more conditional.
16 But that becomes a longer subject.

17 Senator Blumenthal: Thank you. I would welcome any
18 other remarks.

19 Dr. Campbell: Just a slight difference from Dr.
20 Allison. Defense spending in Asia is up dramatically across
21 the board -- dramatically -- in the last 5 years. And this
22 year it is now the dominant arena for spending, and that
23 spending is topped by China, followed by South Korea, Japan,
24 Singapore, other countries moving up rapidly, Australia,
25 Indonesia coming up, Malaysia. That is going to continue

1 going forward. And that is largely because, as Graham
2 indicated, the security environment has become more
3 complicated. And frankly, I think they have more questions
4 about the United States than they have had in the past.

5 The interesting question is why did this take so long.
6 For decades, defense spending was actually substantially
7 lower in Asia than what many might have anticipated, but now
8 it is off to the races. And the real issue is going to be
9 can this be accomplished in a manner that does not trigger a
10 lot of issues as forces rub up against one another out in
11 unclaimed or disputed territories.

12 Dr. Green: The other factor that is important here, in
13 addition to how much allies spend, is how much we integrate,
14 are joint, and are interoperable. So when Prime Minister
15 Abe comes in 2 weeks, he has agreed to change Japan's
16 interpretation of the constitution allow Japanese forces to
17 be integrated in our use of force, to provide logistical
18 support, anti-submarine capabilities, missile defense. A
19 big step. It is not a huge increase in the defense budget,
20 a small increase, but it makes available to us a lot of
21 assets. So we ought to think about quantity but also the
22 quality and the kind of opportunities.

23 On rocks and shoals, we should not fight for every rock
24 and shoal. But we should bear in mind that China's strategy
25 is to kill the chicken to scare the monkey. Send 100-plus

1 ships after Vietnam with whom we have no security
2 relationship. What do we do? Overwhelm the Philippines
3 with whom we have a security treaty but an ambiguous defense
4 commitment. What do we do? Work your way up so that
5 ultimately it is the big prize, Japan, Guam, the first
6 island chain. We should not draw a red line and fight over
7 every rock and shoal, but we have a big stake in shoring up
8 the resilience of these countries so that this killing the
9 chicken strategy does not end up with us in a really
10 disadvantageous position.

11 Chairman McCain: Senator King?

12 Senator King: Thank you, Mr. Chair.

13 First, I would like to commend Dr. Allison's book about
14 Lee Kuan Yew to the committee. I would urge the chair to
15 make it required reading. It is one of the most interesting
16 and insightful books. It might even sell a few books for
17 Dr. Allison.

18 Chairman McCain: All of my edicts are carefully
19 adhered to.

20 [Laughter.]

21 Senator King: They certainly are in this corner, Mr.
22 Chairman.

23 I want to be the skunk for a minute about the TPP. Dr.
24 Allison, I thought the statement on the last page of your
25 testimony, the contrast between China's agility in

1 addressing its daunting internal agenda and America's new
2 normal dysfunctionality -- boy, what a powerful sentence
3 that is. And the point you make, though, is we are growing
4 at 2 percent. They are growing at 6 to 8 percent.

5 I come at the TPP from a slightly -- you guys are all
6 coming from it from a kind of international point of view,
7 what will it do to strengthen these countries in Asia. My
8 question is, what does it do for us, and will it strengthen
9 the U.S. economy or will it strengthen companies which are
10 based in the U.S. but have a lot of their operations abroad?
11 I come from a State that has seen their manufacturing base
12 essentially disappear except in a couple of areas that are
13 resource-based.

14 I mean, the question to Dr. Allison is, does the TPP
15 strengthen the U.S. economy? Because I think that is a
16 really relevant question because what you are talking about
17 is there is a coming imbalance between the Chinese economy
18 and the U.S. economy. Can you give me some thoughts on
19 that?

20 Dr. Allison: Again, I am not an economist, but I
21 examine this and cross-examine it with my colleagues at
22 Harvard regularly. And if the case cannot be made that TPP
23 strengthens the American domestic economy, then I would vote
24 against it myself. This should be about helping us grow the
25 American economy. If we remain stuck in the so-called "new

1 normal" of 2 percent for a long time, this country is not
2 going to be this country, for sure. China will not be the
3 worst of the problems. The worst of the problems will be
4 what we are here at home. So we need to find ways to grow
5 our economy.

6 And as I best understand it, what TPP does is
7 essentially bring other parties, more or less, into
8 compliance with rules that we are already complying with.
9 So in that sense, it advantages us relative to the other
10 parties.

11 But I would say for the committee or for Senators, I
12 would ask Mike Froman to give me chapter and verse
13 decisively that this is strengthening the American economy.
14 And if he cannot do that, I would vote against it.

15 Dr. Green: My uncle owns a small manufacturing company
16 in West Virginia, about 100 employees. So what does TPP do
17 for him? I do not know about Maine.

18 But first, it is going to create billions of dollars in
19 growth in the Pacific Rim, and that is exports.

20 Second, it is going to open up markets, big markets,
21 that have been closed in key sectors like Japan on
22 agriculture and some areas.

23 Third, it is going to give more purchase for American
24 negotiators to deal with what my uncle worries about the
25 most, intellectual property rights violations by China. We

1 are in a bilateral investment treaty negotiation with the
2 Chinese. I have been involved in Government in the
3 intellectual property rights negotiations. When we are
4 leading and writing rules that most of the major economies
5 in Asia are signing up to, we are going to have more
6 purchase to try to deal with these issues with China. It is
7 hard, I think, for constituents to draw this in a direct
8 line, but in a macro sense, it opens up opportunities and
9 gives us leverage on issues that really do challenge
10 manufacturers in this country.

11 Senator King: Well, as this debate unfolds, that is
12 the question I am going to be asking certainly of Mike
13 Froman and others because I think sometimes we are up here
14 in the stratosphere of strategy and economic theory, and I
15 want to be sure that the impacts in our country are going to
16 be positive.

17 Let me change the question slightly. What does China
18 want? Has China historically and do we think now they are
19 looking for territory? I mean, they are building islands
20 and those kinds of things. You mentioned Japan and Korea.
21 Does China have any history that suggests they want to
22 invade and incorporate Japan into China? I mean, is China
23 an expansionist country in a military territorial sense as
24 opposed to a commercial sense? I think those are two very
25 different questions.

1 Dr. Allison: Again, I would refer you back to Lee Kuan
2 Yew. I would say nobody was kind of willing to say as
3 clearly as he was prepared to say what he says. China would
4 like to be the dominant power in Asia.

5 Senator King: But my question is what does that mean.
6 Does that mean owning real estate?

7 Dr. Allison: Generally, they have not insisted on
8 owning the real estate. They like relationships that are
9 tributary relationships in which you kowtow given by
10 relative power and my relative strength, and so your
11 relationship with me is as a subordinate to a superior. And
12 if you behave appropriately, that is good enough.

13 Senator King: But if that is the kind of relationship
14 that they are seeking, that is not the kind of relationship
15 that our military is going to be able to -- this is not a
16 military confrontation.

17 Dr. Allison: I agree it is not primarily a military
18 confrontation. Basically if I am bigger and stronger than
19 you economically and you need me as your trade market, which
20 they are the principal trade market for every Asian country,
21 and if I am willing and able to squeeze you, as they
22 squeezed the Philippines, as they squeeze Britain -- look at
23 Cameron's behavior. I mean, it is absolutely astounding
24 with respect to the infrastructure bank. They squeeze him
25 and pretty soon he comes to behave. So I would say the

1 economic leverage is the bigger piece of this. But in
2 military terms, at the edge, for example, as we see in their
3 taking more and more assertive roles in the South China Sea,
4 they are looking again at a little bit of property. The
5 Chinese have a story in which they say we have never been
6 territorially expansive. But if you ask the prime minister
7 of Vietnam when he comes -- one of them once said to a
8 friend of mine, look at the map of Vietnam, and ask yourself
9 why does it look kind of like an "S." He said that is
10 exactly like the back of a human being on whom China has
11 been sitting for 2,000 years.

12 Senator King: Thank you very much for your testimony.

13 It seems to me, Mr. Chair, this has been brilliant, and
14 what we need to be thinking about is a broad strategy to
15 deal with a very rapidly changing circumstance similar to
16 the containment strategy but a different strategy. But we
17 need an overarching way of thinking about this, it seems to
18 me.

19 Thank you very much for your testimony.

20 Thank you, Mr. Chairman.

21 Chairman McCain: I would like to thank the witnesses
22 for a very informative session. And I apologize for the
23 fact that we are going to be subject to a briefing which has
24 truncated the hearing. But I think it has been very
25 valuable and very important for us to hear the perspective

1 of very wise and experienced individuals.

2 And would you not agree, Dr. Allison, that the military
3 is the component of Chinese strategy which then leads them
4 to reduce other nations to a subordinate status? Without
5 the military component, then obviously they are not able to
6 achieve their goals.

7 Dr. Allison: Absolutely, and it is currently the area
8 of our advantage. And I would say as the committee thinks
9 about it going forward, our traditional approach, which says
10 we overwhelm -- we are not too smart, but we overwhelm
11 people with our resources, is not going to be a good
12 strategy with respect to China. So we are going to have to
13 think smart and asymmetric, and that is what the committee
14 is actually pressing the Department which finds that
15 difficult to do to do.

16 Chairman McCain: Well, I thank the witnesses. Thank
17 you.

18 [Whereupon, at 10:34 a.m., the hearing was adjourned.]

19

20

21

22

23

24

25