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OBAMA GOES TO ASIA:

UNDERSTANDING THE PRESIDENT'S TRIP

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Introduction:

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Keynote Address:

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P R O C E E D I N G S

MR. BUSH: My name is Richard Bush. Ken Lieberthal, the director of our John L. Thornton China Center, and I, are very pleased to welcome you to Brookings today for this special event, “Obama Goes to Asia.”

Our lead-off speaker is our good friend and former colleague, Jeffrey Bader, Special Assistant to the President for National Security Affairs and Director of Asian Affairs on the National Security Council.

You came to hear him, not to hear me, so without further ado, I give you Jeffrey Bader.

MR. BADER: Thank you very much, Richard. Delighted to be back at Brookings. Coming here after almost about a one year absence I was concerned I wouldn’t find many old friends here, but it turns out that, in fact, amazingly, I still have almost as many friends from Brookings here at 1775 Massachusetts Avenue as I have friends from Brookings in the administration.

Special acknowledgement to close fried Strobe Talbott, Richard Bush, Ken Lieberthal, and Cheng Li. I followed Strobe around from job to job for the past 15 years with good reason. It would be impossible to find a better or more congenial colleague and supervisor, and Ken, Cheng Li and Richard were my special colleagues at the John L. Thornton China

Center and CNAPS before I left Brookings. I'm pleased to see all the good work they've done since I've left.

Ken and Richard have asked me to talk about the forthcoming trip by President Obama to East Asia. One always accepts these invitations with trepidation. The role of staff at the National Security Council is to advise the President and to coordinate the interagency process. It is not to make news. So I'll try to walk the fine line today between being utterly boring and producing stories that then have to be explained away.

That said, in a democratic society, we do not pursue our foreign policy goals and objectives from behind a wall. We want to hear what -- we want you to hear what we are thinking and we want to hear what you are thinking. So trepidation aside, it is good and right to be here on this occasion.

President Obama entered office with a daunting domestic agenda, including the biggest domestic economic crisis facing this country since the 1930s, and health care and energy. With such an agenda there has been much written about the reduced bandwidth that goes with crises with the implication that the President would not have much time for foreign policy. In fact, with this trip to Asia, President Obama will have visited 20 countries in his first year in office, the most of any President in history. He has done this not because he is filled with wanderlust, rather he has done so

because the international agenda, including wars in Iraq and Afghanistan, Iranian and the North Korean nuclear programs, climate change, and an international economic crisis is no less daunting than the domestic agenda and cannot wait.

He also believes it is essential to restore American leadership, influence, image, and standing in a world where all have suffered in recent years. The problems we face are simply too complex to be solved by any one country no matter how strong.

The President has recognized that we need active partners around the world to tackle them and building those partnerships is not something that can be done sitting in the oval office, which brings me to this trip and what we are looking to accomplish.

Let me begin by sketching out the East Asian landscape that the President will be encountering and how it looks to us. The importance of Asia has been rising dramatically in the last decade or two. You know the numbers that illustrate the point. I won't go into them here.

China's rise is the most visible manifestation of Asia's rise, but far from the only one. During the period of Asia's emergence, the U.S. has been substantially occupied with various fronts in the war on terror. The U.S. also went on a domestic spending and overseas borrowing spree that proved to be unsustainable. These phenomena have persuaded many

Asians that the U.S. is overextended and distracted. In some quarters, notably, but not exclusively, in China, there has been a steady stream of articles and speculation that the U.S. is a declining power. I believe reports of America's demise are, as they say, considerably exaggerated and will look rather foolish in a few years. I can recall in the 1970s much literature about the end of a bipolar world and the emergence of a multi-polar world. In the last decade we had colorful additions to the language like "rising China" designed to demonstrate that our time had passed.

The U.S. is without question an Asia-Pacific nation, but it will remain an Asia-Pacific power not by loud assertions that it is so, but by demonstrating it through conduct and presence.

What does that entail? First of all, it means modernizing and strengthening our alliances. Populations in our key allies in Northeast Asia support the alliances, but they want more equal partnerships with a lighter U.S. military footprint. That is why we are reconfiguring our presence in Japan and South Korea.

In neither case will our forward military presence be reduced, but in both cases it will be more acceptable to the populations whose security it contributes to so importantly. It does so not simply by waiting for military action for which we hope there is no need, rather our active

presence helps promote security, dampen sources of instability, deters conflict, and gives substance to U.S. security commitments.

We have made a particular point of close consultations with our Asia-Pacific partners since President Obama came into office. I know that close consultations is one of those diplo-speak phrases that causes eyelids to become heavy and that in practice can amount to little more than pro forma delivery of talking points. But real consultations, that is authentic exchanges of view and on strategy, are not trivial. Over the last few years there have been bruised feelings among our partners in Seoul and Tokyo over what they felt were inadequate consultations on the North Korea issue. From day one we have been scrupulous about building consensus with our allies on North Korea policy, genuinely soliciting their views, sitting down with them before we made a decision, not just afterwards, and never making a move without thorough discussions.

The relationship with Japan, long the cornerstone and still the cornerstone, of the U.S. security presence in East Asia, is not one we can take for granted. Fifty years after the signing of the U.S.-Japan treaty on security and cooperation, the world has changed, America has changed, and as everyone in this room has noticed, Japan has changed. For only the second time in 50 years, a party besides the Liberal Democratic Party is in power. The recognition in both capitals that U.S.-Japan Alliance also needs

to continue to adapt is what drives the ongoing process of realignment, and the review of the Alliance by Prime Minister Hatoyama, which we welcome as an important step towards alliance renewal.

With new governments in place the time is ripe for our resilient alliance to be reaffirmed. The foreign policy platform of the Democratic Party of Japan called for a more equal partnership with the U.S. It raised questions about the Futenma replacement facility on Okinawa, about the future of refueling provided to allies fighting in Afghanistan, and about other aspects of the security relationship. Six or seven weeks into its debut in governance, the new Japanese leadership is assessing all these questions. At the same time, Prime Minister Hatoyama has said repeatedly that he considers the alliance with the U.S. as the key relationship in Japanese foreign policy.

President Obama and Prime Minister Hatoyama had a warm meeting in New York and spoke on the phone, getting their relationship off to a good start. In their meeting last month in the U.N., and in subsequent high level meetings, we demonstrated that we can listen to a critically important ally, understand its political needs, and articulate our thinking in ways that we hope will be persuasive to Tokyo.

Our approach is meant to ensure that the alliance is not reduced to a series of difficult negotiations and transactions when in fact it is

a bond understood as critical to both our nations requiring sacrifices of narrow self interest. We will need to be persistent and clear as we deal with some of the complex alliance issues in the months ahead. As we do so, we both need to keep our eye on the larger picture, that is how much the U.S.-Japan Alliance means for both of us, both regionally and globally. American's should not forget what Japan does on global issues is often critically important to us. Besides the U.S. there has been no larger contributor, for example, in foreign assistance to Pakistan and Afghanistan than Japan. Japan is a model of energy efficiency and is playing an important role in the climate change negotiations.

President Obama has paid particular attention to our relationship with South Korea and has established a shared vision with President Lee Myung-bak on the U.S.-South Korea alliance and our broader partnership. The notion of a rift between the U.S. and South Korea that was rampant a few years ago is gone. Our relationship is on a solid footing. Seoul was a key stop on the itinerary of Secretary of State Clinton's first overseas trip as well as on visits by the Secretary of Defense and other top U.S. officials.

President Lee was warmly greeted at the White House in June with the trappings of a State visit and that our two presidents have spoken on the phone and in person a number of times. Not only have we

worked closely together in fashioning a unified response to the North Korean missile and nuclear provocations, we have done so in a way that takes into account Seoul's special equities and inter-Korean relations. We are modernizing the alliance. I recommend you look at the Joint Vision Statement issued when President Lee visited the U.S. in June to see where we're going and how we're getting there.

We have worked with the South Korean government as it has expanded its international presence; in Afghanistan, where it has just announced its intention to establish a new provincial reconstruction team; in the Indian Ocean where there is active and multilateral anti-piracy operations; and in the Group of 20 which Seoul will host next year.

Our true presence in South Korea is steady and will be improved in the years to come as base relocation projects move forward and U.S. service members increasingly are able to bring their families with them when they deploy.

We remain committed to the U.S.-Korea Free Trade Agreement. Our respective trade officials are working to narrow outstanding differences.

I'd like to mention briefly one other key alliance in the region, Australia. President Obama and Prime Minister Kevin Rudd have formed a strong personal bond already meeting frequently in the Oval Office and

at the G-20 meetings. This relationship has helped encourage the strong support we have received from Australia on numerous issues, not least the 40 percent increase in its true presence in Afghanistan and the close coordination on issues including global warming and economic recovery.

Second, it means getting the relationship with China right. I've experienced a number of American presidential transitions in my time in government, several of which went rather badly. This one has been different and that is no accident. Past difficult transitions led to negative consequences for U.S. national security interests. We have avoided that trap. President Obama did so by reaching out personally, early and often, to President Hu by meeting with him twice, by establishing the Strategic and Economic Dialogue -- they met for the first time in late-July -- by scheduling a visit to China in November, and by making clear his intention to work closely with China in addressing the key global challenges I mentioned earlier. None of these challenges can be addressed without intensive involvement by China. Our cooperation has been especially close and effective in dealing with the North Korean nuclear problem where China has helped pass a strong UN security council resolution, worked with us in implementing it, and made its opposition to North Korea's nuclear program increasingly clear and sharp.

At the same time, as we have demonstrated to the Chinese our good faith in resolving to cooperate with them, we have made clear that our commitment to human rights and democracy is a permanent U.S. value. Indeed, one that will be advanced more effectively under an Obama Administration that understands that the value of example is more effective than the value of finger-pointing. We also intend to follow the Taiwan Relations Act and ensuring the defense of Taiwan, and we have worked to strengthen U.S. alliances and other partnerships in the region while at the same time we are seeking to strengthen military-military relations with China and put them on a more durable basis.

During his visit to China, I anticipate the President will be talking to the Chinese about a breadth of issues that demonstrate the reality that none of the great issues of the day can be addressed without Chinese cooperation: arms control and non-proliferation, North Korea and Iranian nuclear programs, climate change and clean energy, rebuilding the global economy on a sustainable and balanced basis, Afghanistan and Pakistan, human rights and democracy. We know that building a durable and stable relationship with China, the most dramatically rising power of this century, will be neither straightforward nor simple and will require both toughness and adaptability on our part. Trust and confidence will need to be built by word and action; they cannot be assumed.

Third, we have sought to convey to our friends in Southeast Asia that we are back. President Obama spent years in his youth in Indonesia so he has a special understanding and feeling for the region. Southeast Asians have felt neglected in recent years as our relationship has been defined largely by cooperation in the war on terror. That is a necessary, but not sufficient basis for a relationship. We have undertaken steps that have given new attention to the region. Secretary Clinton signed the Treaty of Amity and Cooperation, something that ASEAN has been seeking from the U.S. for two decades. She attended the ASEAN regional forum meeting in Phuket in July. She was the first Secretary of State to visit the ASEAN regional headquarters in Jakarta, and the State Department has announced they will name a Jakarta-based ambassador to ASEAN, the first one so designated by any country.

We are building a comprehensive partnership with Indonesia and building a warmer relationship with Malaysia. We have reaffirmed our commitment to our allies in Thailand and the Philippines. President Obama will hold the first ever presidential meeting with the heads of state and government of the ASEAN-10 during his visit to Singapore later this month.

In a continent filled with countries seeking to improve the lives of their people and relations with their neighbors, two exceptions

stand out and we will be talking to our allies and partners about both on this trip: North Korea and Burma. North Korea has pursued a policy over the nine months that President Obama has been in office which I would characterize by recalling Abba Eban's classic phrase when talking about an Israeli adversary of his time, "They never miss an opportunity to miss an opportunity."

President Obama came into office making clear he was prepared to deal with adversaries as a general matter and, in particular, he singled wiliness to engage with North Korea, both directly and through Six-Party Talks, to help them find a way through de-nuclearization to acceptance in the international community and a better life for their people. Instead, dusting off its old playbook, North Korea abrogated its agreements, launched ballistic missiles, conducted a nuclear test, resumed reprocessing of spent fuel, and threatened its neighbors.

Once the cycle of provocations was complete, North Korea sat back to await a new and improved package of concessions from the U.S. Instead, in response, in close cooperation with our partners, we have passed a UN Security Council resolution imposing new sanctions against North Korea. But more importantly, we have implemented it. We have presented a united front toward Pyongyang along with the other members of the six parties and the international community in demanding that North

Korea halt provocations and commit seriously and demonstrably to de-nuclearization.

The result has been to make it significantly more difficult for North Korea to conduct financial transactions to support its weapons of mass destruction programs, to sell or buy arms, or to proliferate WMD technology.

We are prepared to engage directly with the North Koreans. The Obama Administration believes it is better to hear directly from others, including adversaries, than to hear from them secondhand through a filter, but we are not in talks for talks' sake. We are not interested in buying Yongbyon for a third time. We are not interested in indulging North Korea's dream of validation as a self-proclaimed nuclear power. We are ready to talk to North Korea in the context of the Six-Party Talks with the explicit goal of de-nuclearization and with recognition that its previous commitments to de-nuclearize and return to the Nuclear Non-proliferation Treaty, notably those in 2005, remain valid.

The other regional problem I alluded to earlier, Burma, will be on display during the President's stop in Singapore. For two decades the Burmese regime has isolated itself by overturning election results; imprisoning thousands, including Aung San Suu Kyi, for political reasons; spurning dialogue with the opposition that won the last contested election;

and ruling by military fiat. It's closed economy has stagnated while those around it have prospered.

The U.S. and the international community have responded with sanctions and kept the Burmese regime at arms' length. While such an approach has been necessary to demonstrate our commitment to the democratic movement in Burma and its long suffering citizens, it has seemed paradoxically to suit the needs of Burma's xenophobic military leaders.

President Obama has directed us to try something different because, as Secretary Clinton has pointed out, the policies of the international community have not in two decades produced positive results. One definition of insanity is to do the same thing over and over and expect a different outcome. Twenty years is long enough. So we are now pursuing a direct diplomatic dialogue with Burma. We have had two exchanges lead by Assistant Secretary of State Kurt Campbell, including earlier this week in Burma. We will have more.

In that dialogue we are laying out our expectations for a Burma that is democratic and protects the rights of its people. We are making clear sanctions will be lifted only in response to concrete actions by the Burmese. We are also making clear that our engagement will not be only with the leadership, but with important actors in Burmese civil

society outside the government, including Aung San Suu Kyi and the opposition. This process will take time to produce results and indeed results are not guaranteed. It has taken the Burmese military five decades of rule to reach the present unhappy point. We will need patience and persistence to alter the results of 50 years of history, pursuing a path consistent with our interest and values as we seek to do so.

Through President Obama's trip, I think it will be vividly clear to the peoples of Asia that the U.S. is here to stay in Asia. Asians want us to be there for a host of reasons and we need to be there for our own reasons. The rise of Asia in the last few decades may not have made as many headlines as other strife-torn parts of the world, but in the long run, it will be more consequential.

We are a vital contributor to Asian security and economic success. Asia, in turn, has a profound impact on our lives through trade, through our alliances and partnerships, and through the immigrants who have come to the U.S. to enormously enrich our country in every domain. As Asia continues to grow and as new groupings and structures take shape, the U.S. will be a player and participant on the ground floor, not a distant spectator.

Our first President to have grown up in the Pacific region and who spent some of his formative years in Indonesia understands this in

personal as well as abstract terms. For this audience, which cares so much about America's relationship with Asia, whether you agree or disagree with everything we do, I am confident you will see an administration that gives priority to Asia and that strives to strengthen ties so vital to our national interest.

Thank you all very much for your attention. I look forward to your questions and comments.

MR. BUSH: Thank you, Jeff, for that comprehensive scene-setter for the President's trip. We have about 20 minutes for questions. When you are called on, please identify yourself, wait for the mike, ask your question briefly. Thank you.

Chris Nelson?

MR. NELSON: Thanks very much. Chris Nelson, Nelson Report.

Jeff, I hate to ask you to commit news, but let me give it a try. You talk about North Korea and what we are prepared to do and you note that they greeted the Obama Administration by, in a sense, escalating and not doing. Now they're in one of their periodic charm offensives. There's a school of thought that we've learned the hard way if we don't react to a charm offensive by reaching out to them, then we go back in one of those negative cycles.

So my question: Do you define, as talks about talks, sending Steve Bosworth to North Korea to find out if they're prepared to talk about coming about the Six-Party? Are we prepared to take that first step of sending him to develop the situation or are we going to wait until we've heard definitively in some way, yeah, we're coming back to the Six-Party, and only then will we send Bosworth? Thanks.

MR. BADER: Well, Chris, we're very clear that we are prepared to have both bilateral and Six-Party talks with the North Koreans; that any bilateral talks must be in the context of the Six-Party Talks and the associated agreements. So, there is no problem in principle with our engaging with the North Koreans. We would do it bilaterally in the context I just described. There has not been a decision yet about when and how that will happen. We've had discussions with our partners about how and when. We've had discussions with the North Koreans, as you know. Ri Gun was in town -- was not in this town, he was in New York and San Diego a week or two ago, and we've had discussions with them.

We're interested less in process than we are in outcome. We want to see genuine signs that the North Koreans understand that the Six-Party process is the right framework; that de-nuclearization is the agenda; that the 2005 agreements remain binding on all parties, including North Korea; and that North Korea is prepared to go through a path to

international acceptance by pursuing a serious denuclearization agenda. If we see that, then there is no problem with bilateral contacts either in Pyongyang or elsewhere.

QUESTIONER: Scott Herald of the Rand Corporation. Jeff, you correctly noted that this administration has very smoothly and effectively integrated with the Chinese or talked with the Chinese through the transition. But at the same time, the Chinese have seemingly given some cover to North Korea. You noticed, I'm sure, Premier Wen was in Pyongyang and then within the very next few days the North Korean regime tested missiles. I'm wondering if you can give us a feel for the flavor of the interactions you're getting with the Chinese leadership over their sense of where we need to go on proliferation generally. You didn't talk about Iran, but that would be another area.

MR. BADER: Scott, good to see you. The consultations and the conversations with the Chinese on North Korea have been extremely intensive and in depth since day one. There is no subject that has more preoccupied us in our relationship with China than North Korea. President Obama has made several phone calls to President Hu. If you did a pie chart on how much time was spent on issues, North Korea would dominate. I would say that we have been -- we have welcomed and have been pleased with the Chinese approach on North Korea. The Chinese

have been adamant that there is no country that is more opposed to North Korea's nuclear program than China is. They have said that. They have said that convincingly. They have -- as you know they worked with us on the statements by the UN Security Council in response to the so-called "satellite launch," which basically closed the satellite launch loophole in previous UN resolutions. They then supported Resolution 1874 in response to the nuclear test, which has allowed us to sanction something like 15 or 16 North Korean entities to ban North Korean arms trade, put in place a whole series of sanctions that didn't exist before. We've worked with the Chinese in implementing those sanctions. So I have no doubt that the Chinese are serious when they say they will not tolerate a nuclear North Korea in the long run. That is their strategic objective. They understand how damaging it is to their own strategic interests and their relations with surrounding countries.

You mentioned Wen Jiabao's visit. Wen Jiabao did come back with a new statement from Kim Jong Il about North Korean willingness to return to the six-party talks under certain conditions. We welcomed Premier Wen's visit, and what he came back with, and we're evaluating it, talking to our partners about whether we can proceed in that respect. So by and large I think we have a high level of satisfaction with how we're doing with the Chinese on North Korea. Our perspectives are

not identical. North Korea's a neighbor of China. It's not a neighbor of the U.S. We have fully deployed troops in the area. That creates different perspectives, but the overlap of our interests, I think, is very substantial.

QUESTIONER: Hi, my name's (inaudible) and I'm not affiliated with any think tank. I'm just here out of my own interest. My question is actually about our relationship with China and the Obama administration's significant emphasis on the climate change issue. My perspective is although people both in China and the United States care a lot about that issue, that in terms of the bilateral relationship, there's more angst about the deficits in both countries. I mean, there's this angry youth movement, I think, in China, and I think obviously in the United States it's also a big issue. Are we putting too much emphasis on climate change relative to the deficit and trade in terms of actually -- I mean not that those aren't important issues -- but in terms of our bilateral discussions with the Chinese? And if not, what's your opinion on how we can address some of the angry youth movement in China on those issues?

MR. BADER: Well, you're asking a question about priorities, and those are always difficult questions. We like to believe that we can walk and chew gum at the same time, and we can concentrate on the global economic balance issues to which you alluded and also deal with the long-term climate change challenge to the planet, which there's a

consensus is threatening to all of us. We've been -- I think we've been struck by the degree to which China's position on this issue has evolved in the last few years. Four or five years ago, the Chinese were somewhere between skeptical and indifferent to the climate change challenge. And somewhere around 2006 we began seeing much more serious studies and evaluation by Chinese institutions of the impact that climate change was having on China. I think that evolution in Chinese thinking is continuing. I do consider climate change one of the top issues in the relationship. I'm very pleased that Brookings and my colleague, Ken Lieberthal, have been so active on this issue because there is simply no way we're going to have a global accord on climate change or make any significant progress if the world's two biggest emitters, the U.S. and China, are not somewhere within the same universe on the subject. So cooperation between U.S. and China isn't -- it's not an option -- it's necessary if we're to do anything on this issue. So I can't -- we can't put that sort of at the back of the train and say we'll take care of other issues and deal with that later on. We simply don't have the luxury.

QUESTIONER: Hi. Thanks. Margaret Talev with McClatchy Newspapers. I'm was hoping that you could describe for us President Obama's sort of public speaking plans in China. We've heard there may be a town hall. There may be a formal university speech. Can you talk

about what he and the Chinese government have agreed to and how he'll deal with issues like democracy and human rights in those remarks?

MR. BADER: Yeah, I'd rather not get into the details of the schedule yet, which is still under discussion and which will be announced before too long. But the President certainly will have opportunities to speak to non-official Chinese as well as official Chinese, and he will speak publicly in a variety of settings in China. During those public appearances, President Obama will be reaching out to the Chinese people. This is an opportunity for him to connect with people without going through official intermediaries. And I personally believe there's no one better at this. I think we saw this in 2008 in the campaign what his communications skills are with ordinary people as opposed to officials. So President Obama will -- we will try to structure opportunities for President Obama to use those special communications gifts, which he has, to speak about the challenges for Americans and Chinese -- particularly Americans, young Americans, and Chinese -- to work together on common challenges in the 21st century.

At the same time to talk about our country; how are our country works. How we've gotten where we are, our strengths and our weaknesses. And to let others draw their own conclusions about what works for them based on the description of what works for us. I mean --

President Obama's approach to human rights and democracy is multifaceted. Okay? I think that the first element in it is sort of like the axiom, "Physician, heal thyself," that you set a good example. And by setting a good example, you make the U.S. a more attractive model for other countries.

And so that is what he has been trying to do in human rights policy in his first year, such as in dealing with the Guantanamo issue. He also will speak very directly to Chinese officials. He'll meet with President Hu Jintao, lengthy meetings. Meet with Premier Wen Jiabao. He will speak very clearly about U.S. values, democracy, and human rights, with emphasis on freedom of expression and religion, protection of minority rights, access to information, rule of law, and these kinds of issues. You know, I think that -- I admit I'm prejudiced, okay, having been in the Obama campaign and now working in the Obama administration -- but my view is that when someone is admired and is popular and is seen positively, the message that he is bringing is more likely to resonate than it is when someone is seen as hostile and adversarial. President Obama is enormously popular in all the countries that he's visiting. I haven't seen the latest polls, but the numbers I have seen are staggering. When we have someone who has that degree of respect and affection and admiration, the message that he is bringing is much more likely to

resonate than when you come in with a 5 percent approval rating. So I think we have a great gift and a great opportunity through President Obama to sell ourselves in the world.

QUESTIONER: Hi. I'm Stephanie Kleine-Ahlbrandt. I'm with the International Crisis Group in Beijing. I thought you could -- I would be grateful if you could perhaps speak a bit to the types of discussions you're having with the Chinese with regard to Iran.

MR. BADER: Well, Iran -- China is a member of the so-called "P5+1." That's the permanent five members of the Security Council plus Germany that have been in talks with Iran for quite some time on how to provide assurance that Iran's nuclear program is peaceful. China has been part of every round of talks. We have conference calls all the time among the P5+1 on next steps. They have -- I was out in Pittsburgh for the Group of 20 meeting where at the time when the Chinese nuclear reactor in Qom surfaced, and the Chinese issued a statement at the time expressing concern over the developments and calling on the IAEA to investigate and look into the reactor. China has endorsed the so-called "dual track" policy with regard to Iran where we talk to them and try to provide a path for them to demonstrate that their nuclear program is peaceful. But if they do not, the P5+1 agree that pressure must be

increased. China has endorsed that approach, and China is part of that process.

Now that doesn't mean that the U.S. and China have identical perspectives on Iran. China -- you know -- we have very limited relations with Iran because of the Iran Sanctions Act and because of the unhappy history of the last 30 years. The Chinese have a rather substantial trade and investment relationship with Iran. Iran is China's about fourth or fifth largest supplier of energy. China has substantial growing investments in the oil and gas sector in Iran. But -- so they approach it from a different perspective. They are more reluctant to move towards sanctions and pressure than some other members of the P5+1. So there is certain -- you know -- a constant effort to try and align our thinking.

But in the final analysis, the Chinese understand that Iran cannot be allowed to get nuclear weapons. It is absolutely contrary to Chinese interests in several respects. First of all, China is increasingly dependent on the Persian Gulf for imported oil. The Persian Gulf will be vastly destabilized by an Iran with nuclear weapons, not to mention the countries that would follow Iran in acquiring nuclear weapons, if Iran goes that route. And secondly, the breakdown in the nonproliferation regime and the Nonproliferation Treaty that an Iranian breakout would signify,

would mean that nuclear weapons would probably no longer be taboo in other parts of the world, including closer to China. I think that -- my discussions with the Chinese leadership indicate they understand these factors quite well.

So I would say, sort of in summing up, that our position on North Korea cooperation has been closer and our views have been more closely aligned, but on Iran there are some differences but they have been part of the process and we look for them to continue being part of the process whichever track we go down, track one or track two.

QUESTIONER: Thank you. I'm Mr. Ogawa from *Yomiuri Shimbun*. My question is as you mentioned, Prime Minister Hatoyama is seeking the equal partnership between U.S. and -- which seems to distance Japan from U.S. So do you think that that will weaken the U.S.-Japan alliance and benefit China? And according to the *Washington Post* article, a U.S. senior officer told that the hardest thing right now is not China. It's Japan. Do you agree with that or disagree?

MR. BADER: You know -- I don't know who said that. I don't care who said that. Someone may have said it and it was repeated to a second person, to a third person, to a fourth person, to a fifth person, and it found its way into print somewhere and suddenly it's a position of somebody. I'm not interested in such statements. Okay? Life is too short

to track down the origin or the meaning of such asinine statements. Okay?

The DPJ has been in office for what, six or seven weeks? First time a party besides the LDP has been in power except for one year in the last fifty. It's a coalition that represents a broad range of interests and ideological perspectives. It's not surprising that we're seeing a transition that produces some news stories. Okay? In the United States we have transitions every four years -- well, except when a president is re-elected -- but we have frequent transitions. We're used to the sort of Sturm und Drang of the first two or three months of an administration, where everything gets turned over from the previous administration and new policies are put in place. Japan is not used to that. Japan hasn't had that. Okay? I think it's a healthy development that Japan -- a great democracy in Asia -- is actually experiencing a transition in power and is going through some of the difficulty that we all experience, and which we experience routinely and regularly. Okay?

Yes, it does make the relationship -- it does make managing the relationship -- it requires more attention. It requires sensitivity to different perspectives than we're used to dealing with. But we have complete confidence that this is a party that is committed to the U.S.-

Japan relationship, that's committed to the Alliance, and that this trip by President Obama will highlight that.

QUESTIONER: I'm Jonathan Weisman with the *Wall Street Journal*. I'm hoping that you could address some of the economic issues, especially with China currency issues, the rebalancing. And also you mentioned that you're committed to and working through the South Korea Free Trade Agreement. Is there anything the President can offer concretely when he gets to Seoul?

MR. BADER: Okay, first of all, on currency and rebalancing, let me be careful since anyone who besides Tim Geithner who talks about currency values no longer has a job the next morning. There's a reason for that. I mean markets are sensitive things, and when you have a thousand voices in the administration all offering their personal educated and uneducated opinions about currency values, you can drive markets crazy. I don't intend to do that. But it is an integral part of U.S. policy that China should be moving towards a market-based value for its currency. That is part of our dialogue. That has been part of our dialogue. That will continue to be part of our dialogue. The notion of rebalancing China's economy and the global economy is very much a part of our objectives and our dialogue in the Group of 20 meeting in Pittsburgh, the goal of rebalancing the global economy after recovery, and the notion that the

global economy could not pick up where it left off before this crisis began with the U.S. running massive trade deficits and Asian countries simply importing massive amounts of products to the U.S. and the chief prosperity based on the profligacy of the American consumer, that that is not a sustainable model. And that is -- we have been very clear to the Chinese about that. That recovery will require different models and different steps by both sides. This is something we each need to do.

On the current Free Trade Agreement -- on currency, I deferred to Tim Geithner. On the FTA, I'm going to defer to Ron Kirk who is speaking on the record somewhere else today about Korea.

But I'll just say a couple of things. Number one: The President is a strong believer in free trade. He sees trade as good in itself and as a mechanism for producing good American -- producing lots of good American and well-paying American jobs. We -- the President has spoken to President Lee about the FTA. This is something that we want to be able to move ahead on. He has directed his advisers and his Cabinet to look for ways to overcome the differences between the two sides. And this is something that we hope to move forward on. We want to ensure that the FTA does provide adequate access for U.S. automobiles to the Korean market. But the timing of when this can be done and what is politically feasible in the very political context

surrounding trade that we deal with, that's a question above my pay grade.

QUESTIONER: John Zen with CTITV of Taiwan. This is probably the first presidential visit to China in 15 years in the context of improved relationship across the Taiwan Strait and relaxed tension. I was wondering whether or not the President will -- whether there will be anything new in the President's approach to the Taiwan issue and how would he respond to President Hu's likely calls for the U.S. to respect China's core interests and reduce or stop arms sales to Taiwan? Thank you very much.

MR. BADER: Well, I appreciate the question, and I think your observation is exactly right. The cross-strait relationship in the last couple of years is one of the good-news stories in the region and the world, which is why it doesn't get that much attention. That's Gresham's Law in news, that bad news drives out good news and so people don't pay much attention to it. But it is absolutely -- I mean, this has always been potentially the most explosive issue in U.S.-China relations. And to have the cross-strait relationship on a good and positive plane and track is something that we can all welcome. And I would expect on the trip that we would look for opportunities to reinforce that trajectory. We think that the two sides -- Presidents Hu and Ma -- have done an excellent job in

reaching out to each other and building a framework that we hope will be durable for resolution of differences. Our policy on arms sales to Taiwan has not changed, and that will be evidenced over the course of our administration.

About core interests: Well, the issue of Taiwan's status -- which I guess is what the PRC sees as the core issue -- has been addressed thoroughly in the three communiqués that we negotiated and U.S. policy is also driven by those three, plus the Taiwan Relations Act. That framework is unalterable. We're not going to touch it. There will be nothing we say or do on the trip that will go in different directions. You know, sometimes there's some areas where it's good not to innovate. This is an area where we have a tried-and-true basis for a stable relationship, and we're not going to tamper with that.

MR. LIEBERTHAL: Unfortunately, we've run out of time. I apologize to all of the people who had their hands up that I was not able to call on. But I do want to take this opportunity to thank Jeff for such an outstanding presentation and the gift of his time. But his time is precious, and he needs to get back to work. So we will allow him to do that. Please join me in thanking him.

We'll take a 10 minute break, reconvening at 10:00 for a panel discussion.

(Recess)

MR. LIEBERTHAL: We had a really outstanding overview of the trip by Jeff Bader during the past hour who both conceptualized it and responded to a wide array of issues that came up. We want to drill down following the President's itinerary as he travels around Asia. The itinerary will take him first to Japan, then to Singapore for the APEC meeting, then to China, and finally to the Republic of Korea. So we have presentations focusing on each of those stops. I will ask the speakers to give their presentations one after the other and then we'll open this up for Q and A. I expect the second half of our second half of our session to be Q and A for the audience.

We really have an outstanding group of speakers to review each of these stops and the issues that will be raised at them. Let me introduce them all at once now just briefly, because as Rich Bush commented about Jeff Bader, you're here to hear them and not me. First of Japan, Ambassador Rust Deming. Rust Deming is now at SAIS where he teaches Japan, but he had a 38-year carrier in the Foreign Service that included a variety of posts dealing with Japan over quite a period of years. In fact, he's held most of the posts that I'm aware of in the State Department that deals with Japan in one way another. He has been the

recipient of numerous awards from the State Department and also the Department of Defense and brings a deep knowledge of Japan to this discussion. On the Singapore stop for the APEC meeting, Claude Barfield from AEI will be doing the presentation. He's a former consultant to the U.S. Trade Representative. He does a lot of work on international trade policy including in China and the rest of East Asia. For the China part of the trip, Ambassador Stapleton Roy will be doing the presentation. Ambassador Roy is now the Director of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars here in D.C. He had an enormously distinguished diplomatic career including serving as our Ambassador to Singapore, to China and to Indonesia. He was made a career ambassador, an extraordinarily rare honor, in the State Department. He will be giving the overview on China. Finally, Gordon Flake who is Executive Director of the Mansfield Foundation will be addressing the Korea stop. Gordon has a long history with Korea including several years there very early in his career. He joined the Mansfield Foundation in February 1999. He previously was a Senior Fellow and Associate Director of the Program on Conflict Resolution at the Atlantic Council. Prior to that he was Director of Research and Academic Affairs at the Korea Economic Institute of America. He is a regular contributor on Korean issues in the U.S. and

Asian press, and he's traveled to North Korea numerous times. So we really have a treat in store for us here. I think each speaker will take somewhere around 15 minutes and then we'll open this up for Q and A. Let me begin by asking Rust Demming to come up, please.

MR. DEMMING: Thank you, Ken. Thank you for inviting me this morning.

What I thought I'd do is begin by talking about the setting for the visit and for U.S.-Japan relations which means the new approach that the Hatoyama government brings to both policy and governance and how that effects the relationship and the Obama administration's reaction to that, then look at some of the longer-term issues and some of the challenges, and then end by talking about I think is a structural imbalance between the way we deal with Japan and the way we deal with China which is of some concern to me.

As Jeff said, the elected in government the first time in 50 years is a new experience for both the U.S. and Japan. We've become very familiar dealing with the LDP over these years and then we're now going through a transition and it's only been 7 to 8 weeks that this has been going on so it's not surprising there have been a few bumps in the road. The first impression I think when the Hatoyama government came is that there were a lot of points of commonality between the new

government and the new government in the U.S. Indeed, during his campaign, Hatoyama capitalized on the Obama victory in the U.S. as a wave of democracy, a sea of change, and was not shy at all about trying to make that connection. And both leaders emphasized the important of global issues, climate change and energy. Both talked about the importance of soft power and the need for negotiations rather than use of military power so that one could argue there was an ideological convergence between the two governments. And the Obama administration even before the election in Japan made a concerted effort to single out the importance of the U.S.-Japan relationship. You may recall that the first visit abroad that Secretary of State Hillary Clinton made was to Tokyo and the first foreign leader that President Obama received in the Oval Office as Prime Minister Aso. The Obama administration has done a particularly good job I think in trying to repair some of the damage done on North Korea with restoring the dialogue and having a relationship of trust with Japan, so that even before Hatoyama came in I think that a lot of groundwork had been laid.

In the first 8 weeks of the Hatoyama government points of difference have come to the surface partly because of the calendar, because of the budget process in Japan that forces decisions on issues early, partly because of the visit cycle and the president's visit to APEC

and his stop in Japan and other visits that have forced these issues to the surface. It's important to keep in mind that DPJ came in with a deeply rooted agenda for change which he seems to really mean, and four points particularly that relate to managing relations with the U.S. First, it wanted to rebalance the relations between politicians and bureaucrats. In Japan, bureaucrats have played a central role in policy formulation. Indeed, the symbol of that includes that before each cabinet minister, the vice ministers from the key ministries would get together to approve the agenda for the cabinet meeting and the cabinet would ratify what the bureaucrats have prepared and that the first thing that the DPJ eliminated. But more seriously, they are really trying to take power away from the bureaucracy and rebalancing that relationship.

Second, they want to give local communities more say in issues. They want to devolve decision making down to local levels to make sure that local views are reflected in policy. Third, as Jeff mentioned and talked about, a more equal relationship with the U.S. Fourth, paying more attention to Asia.

Just taking these things one by one of how they affect the alliance, bureaucrats traditionally have been the managers of the alliance with Japan. They have been the shock absorbers. They have been the people we go to to work out issues and it's worked very effectively.

They've been discreet, they've been skillful and we've gotten through a lot of bumpy periods a lot of which I was involved in over the years because of the skill and dedication of Japanese bureaucrats. They have been the primary channel of communication in managing the alliance. Now their role is in question. The bureaucrats are still trying to sort our their relationship with the new government and vice versa, and in the first 8 weeks it's not clear who speaks for who and whether the bureaucrats are operating with real authority and it's caused some confusion I think and some lack of clarity in our dialogue. This will work itself our over time. I think fundamentally it's a good thing for politically leaders to take more responsibility, but it's a new phenomenon that is affecting I think the management of our alliance.

Second, more say for local communities. Obviously, Okinawa is well represented in the DPJ and in the broader coalition and when local views are reflected on national security policy, of course it's a complicating factor. National security policy is divided by national governments, but local communities play a vital role in going along accepting -- Okinawans demanding more say in this. In fact, the Governor of Okinawa and the Governor of Kanagawa prefecture which hosts Yokosuka, Zama and Atsugi air bases in central Japan are in town today and yesterday and they said publicly yesterday that they had found in the

8 weeks of the new government that they're getting much more attention and getting listened to much more and getting much more access, so that is changing. But again it complicates the management of the alliance when local governments are playing a more prominent role.

Third, the more equal relationship with the U.S. This is I think partly a generational change, a new generation that wants more say and wants a more balanced relationship. A reaction to the Koizumi-Bush perception I think of many in Japan that it was an overly close relationship, so a natural phenomenon, and one that I think that we should welcome and if it means that Japan wants to play a more active role in supporting of shared interests and values, but in the first 8 weeks the administration is not quite clear what that means. Hatoyama and the government have made a clear rhetorical commitment to the alliance, but clearly they want to renegotiate or change some of the operational things that have gone on and many of the existing arrangements, so it's a little tricky.

Fourth, more attention to Asia, again something I think we should welcome. Good relationships between Japan and Asia are very much in U.S. interests. It's not a zero-sum game, it should be a plus-sum game, but questions have been raised when the prime minister has been quoted as saying that Japan has been too dependent on the U.S., what does that mean? Is this a distancing arrangement or it is trying to work

out a new -- is Asia seen as a zero-sum game or can it be seen as a plus-sum game?

On the national security agenda, the Japanese new government has singled this out as an area where they want to do change. Four areas in particular -- relocation issue has gotten so much attention, the DPJ has never accepted the arrangement that the U.S. has negotiated twice first in 1996 and then in 2005 with Japan the existing arrangement to move the Marine Air Station at -- up north in Okinawa. Second, host national support. Japan provides about $4 billion a year to support U.S. bases. That's come under increasing pressure in recent years with Japan's budget crunch and other factors and the DPJ has singled that out as an issue that needs to be addressed. Status of forces agreement, DPJ has singled that out for changes, particularly two areas, one, environment, more control by Japan over environmental issues on American bases, more control over criminal jurisdiction. And fourth, the Indian Ocean deployment which is the DPJ made clear they did not accept and indeed were going to end when they came in. But the coalition and the DPJ does not speak with one voice particularly on the Okinawa issue, that from the cabinet the prime minister has said he would like very much to move the Marine Air Station out of Okinawa altogether. Foreign Minister Okada has suggested moving it into Kadena Air Base and the

current Defense Minister, Mr. Kitazawa, has said why not just go with the plan as it exists? So there are various different views within the DPJ and any other coalition members, the Shaminto, the old Socialist Party would like to get rid of bases entirely and the Neoshinto very much supports getting the bases out of Okinawa, so no agreement within the coalition on that.

Turning to how the administration here has handled this, I think after a few initial missteps when the first spokesman said we're not going to change in the first couple days both the State Department and DOD that it's done a very good job, that the administration made clear it didn't want to back the new government into a corner, it would take time to work these things out, said there was no deadline for deciding on Futenma or other things and engage in a quiet dialogue. We expressed understanding for the Indian Ocean deployment coming to an end as long as Japan did something else to help in the region. But then you got into the last few weeks a little bit of a public spat when I think people here were very concerned about these statements coming out from various Japanese officials about the whole Futenma project and when Secretary Gates went to Tokyo he made clear in public that we felt very strongly that the existing arrangement was the only practical one to go forward. He also skipped some ceremonial events that were seen by the Japanese as

a signal of strong U.S. unhappiness. Now that's been worked back a little bit. The State Department spokesman said the other day there was no deadline. Kirk Campbell was in Tokyo two days ago and has said that we are satisfied with the way Japan is handling this issue. So when I think setting up for the summit next week, this will not be a major issue of focus. There may be some general discussion about the importance of moving forward, but the summit I think will focus on the broader agenda that Jeff has outlined and we won't see this issue tripping up the summit.

Beyond the summit, these security issues will be back very, very quickly. The budget again is going to force the DPJ to make some hard decisions on whether to move forward with this thing. Some people in the party have said they want to delay a decision on the Futenma relocation until after the mayor's election in Nago which is a city near the new base election or after the upper house election next July or after the Okinawa's governor's election in November. That's going to be very, very hard to put off. So we're going to be faced with this issue and it may be tricky to manage.

Host nation support agreement. The current one expires in 2011. Already negotiations are going to have to begin on that so that could be tricky as well. The status of forces agreement, the two governors are here want to come with a separate environmental agreement. I hope

something like that can be worked out so we don't get into a full-scale negotiation on the SOFA, but again tricky. Then another issue more subtle in a way of the whole nuclear posture review and the balance that Japan has between supporting the idea of complete nuclear disarmament with concern about the maintenance of the U.S. extended deterrence and the credibility of the U.S. extended deterrence so that we have to manage that very effectively. Then of course we have relations with North Korea, China and so on that all have to be balanced.

From my perspective I think it's important that we manage these base fundamental issues, but there's a tremendous agenda out there for global cooperation, energy and the environment, all the things that Jeff talked about that U.S. and Japan are natural partners, but unless we manage these basic issues it's going to be very difficult to move ahead with a broader agenda.

Let me mention very briefly the structural gap I've talked about. There seems to be much more structure now to the U.S.-China relationship than there is to the U.S.-Japan relationship. We have the strategic dialogue, we have many American officials going to China all the time, much more active China-U.S. business council, more Chinese students in the U.S. by far than there are Japanese students with the number of Japanese students in fact shrinking. And of course trade and

investment patterns have changed as well. China is now our major trading partner and Japan has fallen back, and the same thing on investment. And a very active private sector dialogue between China and the U.S. On the Japanese side we have an economic subcabinet but in name only. People find it difficult to come up with a real agenda or find issues of real interest. We have a cultural issue -- is trying to revitalize cultural exchanges and student exchanges but is having trouble getting money to do that. And parliamentary exchanges are down. Even though we talk about cooperation on climate change and energy, there is no real dialogue even private sector or government sector between the two governments. So some people argue that the U.S. and Japan is mature and has its own dynamic, my own view is that it still needs very much top down leadership and much more energy to go into it. The people I think here are distracted naturally by the growth of China and by all the challenges and promises of the relationship with China, but it would be a mistake to not give sufficient attention to Japan to take advantage of all the opportunities that are out there. We have an opportunity coming up next year in 2010, the fiftieth anniversary of the U.S.-Japan security treaty. Japan hosts APEC in 2010 and the U.S. hosts APEC in 2011, so it would be ideal to get an agenda in place now to try to deliver some real concrete

achievements in U.S. relations in the next year or two. Thank you very much.

MR. BARFIELD: I thank Brookings for inviting me to talk about the APEC meetings. When Ken Lieberthal contacted me and asked me to do this, my first reaction was it's a pretty easy assignment. There's not a lot that's going to happen. All I'll have to do is get up and say there's nothing of substance that's coming from the meeting and then sit down and ask for questions. Or I thought as I looked at some of the background material that I could focus on the extravagant banquet that the Singaporeans are going to put on which they are touting as one of the best in years, or the entertainment for the first evening they're there which is being produced by the guy who is the judge of their equivalent of "American Idol," so they promise an extravaganza of some several hours and that could have been it.

I should say that obviously the statement will have the usual pabulum about wanting to avoid protection even though a number of the countries are violating that on a daily basis, to complete the Doha Round, to do something about the imbalances, the sorts of things that you've seen whether it's G-20 or APEC or any other meeting of world leaders over the last 2 years.

But having said that, I do think, and this is what I'm going to spend my time on, though I don't think we're going to see much next week, I think this is the process and the institution of APEC is really of central importance to the United States. I guess I'll start with a little history here as an historian. I think the challenge to the United States and to the nations of Asia goes back to something that then Secretary of State Baker said almost two decades ago in which he said that the United States had no intention of allowing a line to be drawn down the middle of the Pacific with the United States on one side of it and the Asian nations on the other. There have been many times since then that it looked as if the United States really didn't very much agree with that particular administration, so I can be bipartisan here, and we drifted away from it. That leads me to a second point that I'll come back to, and that is, in the interim, APEC which was certainly the single trans-Pacific and still is the single trans-Pacific institution has been augmented by a plethora of not only ideas and institutions largely for a future or intra-Asian or East Asian architecture. Give me 2 or 3 minutes to roll through the U.S.'s varying record in terms of APEC.

In some ways it could be said that until today the apex of APEC, as it were, occurred in 1994 with the Bogor Declaration in which the then nations of APEC agreed to move toward free trade in the Asia

Pacific by 2010 by the developed countries and 2020 by the developing countries. APEC was also, and I'm going to come back to this, a unique organization in terms of trade policy in that it was not a reciprocity based process, the so-called “concerted unilateralism.” The goal was set in 1994, but each nation was asked to move toward that goal at its own pace and through its own means and that has been APEC operates to this day though I think if it is going to move forward in the trade area at any rate it will have to change that.

But if we look just briefly running forward, this was as I say the high point in the Clinton administration. You then had what turned out to be a very premature effort by the Clinton administration to move from a unilateral liberalization, as it were, to a reciprocity based trade liberalization with some six or seven sectors. They were defeated in that in 1997 and 1998 and that came just at the time of the Asian financial crisis. The upshot of this which many Asian looked to the United States and the IMF as having looked away from them, the upshot was of this was for the last years of the Clinton administration it really turned away from APEC and considered the institution really not worth a lot of time. For the Bush administration the events in terms of APEC were overtaken almost immediately by 9-11 and the Bush administration, I'm oversimplifying here, from 2001 to about 2006 paid little attention to the economic aspects of

APEC. In effect, antiterror and security issues dominated. I think it was in 2003, when Bush went out to the APEC meeting, he didn't mention trade at all. He talked only about security issues. So there was a movement away from the original goals of APEC.

Only in 2006, in the second Bush administration, did the administration come back at least tentatively to economic issues when it advanced without a lot of push at least initially to the idea of a free trade agreement for the Asia Pacific and that's where things stand I think as the Obama administration comes into office with one exception, the so-called trans-Pacific partnership which the administration advanced just last fall. This was a subregional arrangement that suggested that we get involved with that included Singapore, Brunei, Chile, New Zealand, and I think now Australia and Peru with Vietnam also now asking to be a part of the agreement. That by the way was, just for those of you who are trade aficionados, the Clinton administration had thrown a little dart forward to the Bush administration in 2001 with the Jordan FTA. The Clinton administration wanted to somehow pull the Clinton administration into the labor and environmental provisions that it supported that the Bush administration didn't think would. Similarly, I think the Bush administration, Sue Schwab, knowing that she was not going to get anywhere or any place forward significantly with this threw this dart, as it were, forward to

the Obama administration hoping in some it would lock them in or they'd have to make decisions about this fairly early on. That is still a pending agreement. This is where we are in terms of APEC.

As I said, the landscape in East Asia, as many of you know, has changed dramatically. Let me go through the three phenomena that I think are important and that I think will have an impact on the context of President Obama's trade policy in relation to East Asia. That is a very important set of phenomena that have occurred since 2000-2001 and that is the extraordinary growth outside of regional institutions of bilateral trade agreements among East Asian nations with nations outside of the region. There are now, from last the figures I saw, some 20 in some process of negotiation and 150 have been negotiated. So you have a changed landscape in terms of what nations are doing, but this is important APEC in this sense. It was argued in 1998 or 1997 when the Clinton administration came forward with its proposals for sectoral agreements that this was not the way APEC would operate, that the nations of APEC would always go the so-called ASEAN way in which you went forward at your own pace. In the last 8 or 9 years, almost every nation in ASEAN and outside of ASEAN has gone through the experience of reciprocity-based treaties, trade agreements, and so you have a very different situation if you were to come back to try to do this again. The second

thing that has happened obviously is the growth of intra-East Asian institutions, that is the ASEAN plus three which grew slowly in an ad hoc fashion after 1998, and then the Japanese proposal for an ASEAN plus six that came several years later with the desire to not be involved as it were or entrapped as it were in ASEAN plus three institutions in which the Japanese thought the Chinese would dominate.

More recently, bringing us up to our own time, Prime Minister Rudd of Australia has introduced or has been pushing for the last year the concept of an East Asian community. He calls it an East Asian community but he has made very clear and Australian diplomats have made it very clear that they want the United States at some point to be a part of this. The Japanese complicated matters, or the new government has complicated matters, by also putting forward in the last couple of weeks, in the last month or so, a proposal for an East Asian community and clearly the DPJ is thinking at least initially that this will be an intra-East Asian community not one that would go outside. So you have now a competing set, a whole plethora of competing institutions and I think sometime in either a first Obama administration and certainly over the next 8 years whether it's Obama or someone else I think there will be precipitating events that will move at least in the economic architecture toward some sort of regional arrangement. It is hard to know how that will be

precipitated. I think one of the things that's outside of what I've talked about is the completion of the European Union's FTA with Korea. A number of economists have argued over the last decade that at any time that you get two big economies in East Asia that get together for an FTA, the others will have to come in, a so-called domino theory. These economists didn't foresee the way the way this may come out, and that is the thinking was that if it was either the United States and Korea or Korea and Japan or Japan and China, in other words, it was that group of nations. The European Union was sitting out there, but the European Union has trumped the others with its completion of the European Union Korea agreement. Whether or not that will be a precipitating event I do not know. We are already seeing, by the way, and I'll move on to my final point on this, in terms of the domino theory the mobilization of resources of the wonderful triumph again of mercantilism in the United States where U.S. industry are saying clearly to the U.S. administration we cannot sit by idly and have the European Union have the kind of benefit from discrimination that it's getting from the Korea agreement whether it's automobiles, chemicals or telecommunication or even agriculture. So we may be seeing that begin to work out.

I do not know and in terms of the Obama administration it is hard to foretell how they will react to this, and this is my final point. The

Obama administration's trade policy, with due respect to Jeff Bader, is will inchoate and there are solid reasons for this. It will affect I think not just decisions about APEC or free trade agreements in the Asian Pacific or anywhere else but our trade policy in general. That is at some point if Mr. Obama is going forward he will have to confront the fact that he has at least in the House of Representatives in the majority probably close to majority of House Democrats who could be counted not as protectionists, one has to be careful about that, but are certainly global skeptics. So he is going to have to, whether it's APEC or whether it's Doha, confront that situation. Secondly, obviously in the near term, and this gets me back to the point of what would happen in the next week or so or the next couple of months, there is so much on the administration's domestic agenda with health care and climate change and other things, not to mention whatever the reaction would be to what I would call the minor blip of the elections this week that it is very hard to see it moving forward. I think what we're likely to see and we've already seen is a continuation of a stream of affirmations of free trade, and we've seen it specifically about KORUS in the last couple of days or we've seen it about APEC, but not much action. I think action in terms of moving forward on any trade front will go well into next year and possibly into 2011. Thank you very much.

MR. ROY: Good morning. There are two ways to look at the president's visit to China, in terms of substance and in terms of context, although I meant to say in terms of context or in terms of substance because the first involves the strategic management of the relationship and the second involves the specific issues that will be addressed during the visit.

Both are important, but in the grand scheme of things, the first is far more so, namely, the context and the strategic management of the relationship. Bear in mind that this is the president's first visit to China. It's no exaggeration to say that president visits are not the best way to develop a feel for a country, but they are certainly better than nothing. Fortunately the president has a half-brother who has lived in Shenzhen for a number of years, speaks Chinese and has a grassroots view of China and the U.S.-China relationship that the president does not have and will not gain from a presidential visit. So the Obama family has expertise on China even though the president will be getting his first exposure to the curious Chinese practice of honoring exalted guests with dishes based on sea slugs, sharks fin and birds nests.

In terms of the management of the relationship, U.S.-China relations are in good shape. President Obama has already had two productive meetings with President Hu. Both sides accept the goal of

developing a positive, cooperative and comprehensive relationship. This is a rhetorical framework to be sure, but it's a good one. But the biggest challenge in the relationship is dealing with the problem of reciprocal strategic mistrust. Despite the enormous progress that has been made in developing Sino-U.S. relations over the last 30 years, the problem of strategic mistrust has been worsening and is rooted in the behavior patterns of both sides. Evan Maderos, who works with Jeff Bader in the National Security Council, summed this up very nicely in an article he wrote several years ago when he stated, "The United States and China are shadow boxing each other for influence and status in the Asia Pacific, rhetorically pulling punches, but operationally throwing jabs. Both are using diplomacy and military cooperation to jockey for positions as the regional security order evolves." The administration recognizes the problem and is seeking to address it. In a speech on September 24, Deputy Secretary of State Jim Steinberg argued that the key to solving this problem of strategic mistrust is what he called offering strategic reassurance. He defined this as finding ways to highlight and reinforce areas of common interest while addressing the sources of mistrust directly whether they be political, military or economic. He put the burden on China to assure the rest of the world that its development and growing

global role will not come at the expense of the security and well-being of others.

I would argue that the burden of strategic reassurance rests equally on the United States. It's not a question of one or the other. It is certainly reasonable for the United States and for other countries to be concerned over how China's growing wealth and power will impact on our respective interests, but it is equally reasonable for China to worry that the United States alone or in concert with other countries may conclude that China's rise is inimical to our interests and may adopt measures designed to inhibit China's growth. If left unaddressed, such doubts could over time undermine the cooperative aspects of the relationship and launch in a direction that would entail high risks and high costs and serve the interests of neither country. Our military establishments must deal with worst-case scenarios. That's natural behavior. Leaders have the responsibility to seek to create more positive outcomes and that is the direction in which leaders in both the United States and China are trying to point the relationship. But you have this underlying problem. The real test of the president's visit will be whether it contributes to easing this mutual mistrust by providing strategic reassurance in the sense of restoring confidence that each side is considerate of the interests of the other and is not seeking to do it in.

The second broad consideration to recognize is how the global financial crisis has altered the playing field. It's too early to draw definitive conclusions of course because how soon and how well the United States will emerge from the current financial crisis is still murky. But for the moment, the Asian economies with China in the lead seem to have recovered more quickly than economies in the West. This is likely to enhance China's self-confidence. But for his part, President Obama can take comfort in the fact that recent U.S. economic indicators contain positive elements that point toward a partial recovery. These positive indicators however have to be weighed against the sobering reality that the United States faces unprecedented budget deficits for the foreseeable future. In my mind I visualize this by thinking in terms of if the United States were to eliminate our defense budget, we would still be incurring deficits of hundreds of billions of dollars for the foreseeable future, so that we are talking about deficits on a grand scale.

These factors in combination permit some preliminary conclusions. First, the reputation of the United States for having the most innovative and profitable financial services sector in the world has taken a severe hit. The Chinese will be less inclined to be lectured to. Secondly, the Chinese have reason to believe that the correlation of forces to borrow some nice Cold War terminology has shifted in their favor more quickly

than they had earlier anticipated. They are realists and they undoubtedly still believe that the United States remains and will remain the world's strongest future for the foreseeable future and has an economy that even in the doldrums has immense productive power. As a result, Beijing's impulse for cooperation with the United States will remain strong, but in areas of particular Chinese interest such as Taiwan and Tibet, the Chinese may be inclined to press their positions more strongly than they have in the past. As a result, the management of U.S.-China relations may require some recalibration.

Let's turn briefly to specific issues that will be addressed at the summit. These include the global financial crisis, the North Korea nuclear issue and nonproliferation issues more generally including Iran, global climate change and collateral issues such as clean energy, the Afghan-Pakistan situation, and specific bilateral projects such as expanding opportunities for American students to study in China. Let's look at these briefly in turn because Jeff has already covered some of this ground.

On the global financial crisis, this was addressed in detail during the first session of the strategic and economic dialogue that took place in late July and it had a positive outcome. Both sides, if you attended the concluding dinner, were delighted with the way that the talks

had gone. Both sides have avoided more extreme protectionist measures in the face of the economic downturn but neither has a perfect record so there is much room for improvement. The United States has just filed a new request for WTO panel to hear concerns that China is restricting exports of various raw materials that are important to the steel, aluminum and chemical industries, so you can see that our relationship still generates these types of problems. It has three other WTO cases outstanding against China and China has three outstanding WTO cases against the United States. But at the same time, the meeting of the Joint Commission on Commerce and Trade that just concluded a week ago had a positive outcome. It produced MOUs in sectors such as clean energy, tourism and aviation, so that the urgent need to address the economic issues at the summit will be less than if the engagement between the two sides was not taking place on a substantive basis and in a positive atmosphere. It's also significant that over 80 percent of American companies that responded to a recent survey report that their operations in China are profitable. The main concern of each side will be that the other avoid actions that would complicate economic recovery efforts.

On North Korea, the key issue as Jeff Bader mentioned is how and under what conditions to get talks started again. After the second North Korean nuclear test, the North Koreans declared the Six

Party Talks definitely dead and they celebrated their emergence as an established nuclear power and declared that they were not going to give it up. This destroyed any basis for talks with the North Koreans. But following the recent visit to Pyongyang by Chinese Premier Wen Jia-Bao, the North Koreans backed away from this position. They agreed to return to the Six Party Talks provided there was sufficient progress in an initial round of bilateral talks with the United States, and they reaffirmed the ultimate objective of denuclearization of the Korean Peninsula. And Pyongyang has also signaled its desire for Ambassador Bosworth to visit North Korea at an early date. The Chinese believe that a window has been opened for bilateral engagement between the United States and China and they are eager for the United States to take up this opportunity. So the problem for the administration is whether it can do so under conditions where North Korea has blatantly violated earlier undertakings and this is what Jeff Bader touched on in his comments earlier. In the meantime, a tough U.N. imposed sanctions regime remains in place on North Korea so that North Korea is hurting from the direction of which its policies have been moving.

On global climate change, the basic issue is this. If the Chinese and Americans do not show leadership on this issue, the global effort to address it will falter. Other countries simply will not address this

issue seriously if the two biggest contributors to the problem aren't prepared to show leadership on the issue. Both sides are taking a positive attitude, but it's a long shot that they can agree to measures during the summit that will make the Copenhagen meeting a resounding success. But they already have in place a 10-year framework on energy and the environment that was concluded in the final year of the Bush administration and at the strategic and economic dialogue in July, they produced an MOU on enhancing cooperation on climate change, energy and the environment. So the question for the summit is can the two sides agree to a form of practical cooperation on these issues that goes beyond positive rhetoric. That's what we need to watch in terms of the president's visit. The intention is there, but the devil may be in the details.

On Afghanistan and Pakistan, this issue is certain to get a thorough airing at the summit because the United States is heavily involved and China is deeply interested in what the United States is doing. We can assume that President Obama will update the Chinese on the state of the administration's review of its response to the recommendations of General McChrystal. It is also likely that it will urge stronger Chinese efforts to support Pakistan. Nothing dramatic is likely to emerge, but it is important for the two sides to keep open channels of communication on this issue.

In terms of specific bilateral initiatives, there may be a number of these, but there seems to be a possibility that they will try to reach an agreement to expand student exchanges between the two countries in ways that the significantly increase the number of Americans going to study in China with some reciprocity for Chinese in terms of coming here. I think that's a long overdue step. The Chinese have been flooding the United States with students and we have only a few thousand students studying in China. It's grossly inadequate in terms of the importance of the relationship for the future. So if they can reach agreement in this area, it would be a very positive development.

It is important in conclusion that President Obama is making a major visit to Asia during the first year of his presidency and that he's including stops in both Northeast Asia and Southeast Asia. This reinforces earlier signs that the administration is giving more attention to Asia which is a very positive development. Thank you.

MR. FLAKE: What a difference 2 years makes. If you think back just 48 months ago in the lead-up to the presidential elections in South Korea, you'd be hard pressed to find two allies that while working together closely working level were more oil and water on political relationships. If you think about the context of all the controversy you've seen in the last couple of weeks between the United States and Japan

about Futenma, that's kind of pillow talk compared to the relationship between the Roh administration and the Bush administration. Over the intervening 2 years the election of Lee Myung-bak in South Korea and the election of President Obama in the United States have really brought both sides back to the center to a remarkable degree of confluence not only on policy, but position and outlook. So I probably have the easiest task here. Korea is last on the list in terms of the countries visited, but it's also last on the list not in terms of the crisis faced by North Korea, but in terms of the coordination and cooperation between the two allies, the United States and South Korea.

Today what I propose to do is focus on the summit itself, President Obama's visit to Korea, starting to look at what might be expected. Secondly, moving on to discuss what would exceed expectations. And then finally ending up with a cautionary notes, the sensitivities that may or may not come up that we ought to pay attention to in the future.

In terms of expectations, again it's important to realize that on the issue that had been the primary area of divergence during 10 years of more progressive governments in Seoul and North Korea, there is really not any noticeable daylight between the United States and South Korea in terms of our approach to North Korea and as a result I would not expect

any major policy pronouncements, any major news to be committed in terms of the alliance. What I would expect and I think what the South Koreans are going to expect are some very clear statements that are pro forma but nonetheless necessary. Just to give you an idea, early there are going to be statements reassuring the South Korean public of the United States commitments to the alliance, the United States commitments to the defense of South Korea, in the context of recent North Korean provocations, long-range missile tests, nuclear tests and an amazing amount of vitriolic over the last year. Again it's an opportunity to reaffirm the alliance and the U.S. commitment to South Korea.

Secondly, of course you're going to have a very clarion call for North Korea to return to the Six Party Talks and I think Ambassador Bader made that very clear today with his remarks. You're going to also have a clear call for denuclearization, but I would think it's important to put both the Six Party Talks and the denuclearization in context. I was delighted to hear this morning to hear Ambassador Bader talk not just about the framework of the Six Party Talks or the context of the Six Party Talks, but their attendant agreements. Here I think it's worthwhile making a very important point. Back in the ill-fated presidential debates of 2004 when candidates Senator Kerry and President Bush were debating about the Six Party Talks, it came across as a strangely kind of formal re-

unification debate and it didn't make a lot of sense because at that time the debate over bilateral or Six Party Talks was about strategy but primarily about format. Now in 2002 it's really about content. The Six Party Talks aren't an empty shell. It's not just about 30 people sitting around a big round table. It's about the agreements that were made in the context of the Six Party Talks. So whenever you hear an administration official talk about the framework of the Six Party Talks or the content of the Six Party Talks or the context of the Six Party Talks, they're really talking about the September 19 joint statement in which North Korea agreed to return to compliance with the IAEA and the NPT to abandon all nuclear weapons and existing nuclear programs unilaterally to go along with 180 other non-nuclear states as opposed to their current position which is that they want to be recognized bilaterally as a nuclear power to discuss mutual disarmament. So for me the word denuclearization has lost a lot of meaning over the last couple of years because North Korea in their recent speeches and statements have made it very clear that their view of denuclearization is global denuclearization and mutual disarmament with the United States. So I think we need to be a little bit more specific, and I think as Ambassador Bader said this morning, I presume that any statements that come out of Seoul will be more specific referring to the agreements of the Six Party Talks and the context therein.

Finally, I think you're going to see the administration in terms of North Korea push for the resumption of a North-South dialogue. That's an important nod to the domestic situation in South Korea. Then in regard to North Korea, there's a broader area which again I was heartened to hear Ambassador Bader refer to this morning and that is our trilateral coordination between United States, Japan and South Korea. Ambassador Bader if I quoted him correctly said that from day one the administration has been scrupulous about building consensus. Again, I admit to being a little biased here, but I think this is the great underreported, underrecognized early success of the Obama administration. All you have to do is remember January of this year after the election of President Obama. In Tokyo and even in Seoul there was genuine angst about the Obama administration and it was based on the presumption that somehow this candidate who during the campaign had promised that he would be willing to meet unconditionally with dictators, was going to leapfrog over Seoul and Tokyo and by March 1 have a bilateral summit with Kim Jong-Il and Japan's and South Korea's interests would be unmet and unconsidered. That was a genuine concern for our allies in Tokyo and Seoul and the fact that we are now here in November and that you don't hear a peep out of Seoul, that you've had this remarkable level of trilateral coordination, communications, cooperation

and commonality of policy between these allies I think has been not only the success in that relationship, but also the key to our success in the U.N. in bringing China and Russia more closely on board. It's based on the strength of our common position with our allies that we have the real negotiation power that we've been able to utilize during the course of this year. My guess is that will be emphasized and I do think that it's important for that to be strengthened furthermore.

Three other short things that I think are likely to be expected during the course of the summit. Clearly there will be a reference and there should be to South Korea's role in Afghanistan. You may recall just last month that South Korea agreed to send a new provincial reconstruction team in addition to their current medical and vocational training team that's going into Afghanistan. This is in the context of a body politic in South Korea that is deeply sensitive about Afghanistan. You just have to go back a couple more years to the Roh administration during the hostage crisis that South Korea suffered there and the loss of their own citizens to realize that this is not a popular move and I presume that South Korea's contribution will be recognized and expressions of gratitude will be given for that.

Likewise I think there will be a notice of and appreciation given to South Korea's leadership role in the G-20. President Lee Myung-

bak came out strong and early as you might imagine in the G-20. His role I think was recognized not only by the United States but by other nations not just in Pittsburgh but prior to that in London, and immediately after President Obama's election back in December 2008 here in Washington, D.C. Lee Myung-bak took the unprecedented step himself of authoring an op-ed in the "Wall Street Journal" pushing for some of the key reforms to the G-20. So South Korea has really taken a leadership role, so much so that South Korea is going to host the meeting of the G-20 in Seoul in November of next year and that remains a very important opportunity and challenge for both coordination between the United States and South Korea but also between South Korea and her other key ally in the region, Japan, because Japan is hosting just 3 days prior to that the leader's meeting of APEC. So now going back to the issues that Claude was raising, you've got questions of the role both of APEC and the G-20, questions of timing, questions of how those things might be coordinated and I think it's a perfect opportunity for the United States and its two core allies to coordinate this issue economically in the region.

Finally, I expect there will be a reference to the joint visions statement that came out of the June 16 summit between President Obama and President Lee Myung-bak here in Washington, D.C. Ambassador Bader referenced this. There has clearly been a lot of work done to

implement the alliance based element of that joint visions statement. If you haven't read it, I'd urge you to go back and read it. I notice that he's slipped out of here, but Scott Snyder with the Asia Foundation, they have a Center for Korean Policy Studies, has launched a remarkable project that looks at the whole range of regional and global elements of the alliance which weren't there before. Traditionally the U.S.-Korea alliance was all about North Korea and it was all about the peninsula and now we have pandemics and climate change and international terrorism and a whole range of issues where the U.S. and the ROK are looking to expand in a truly strategic partnership in the world and I think that's worth looking at.

To move on briefly and talk about what issues might exceed expectations which I don't expect to be raised, I'd like to see them raised, obviously one of those is the free trade agreement. Because of the political situation here in the United States regardless of the president's own support for the concept of free trade conceptually, there really has been no perceivable movement on KORUS FTA for the first year of the Obama administration, or for the first 10 months as we are right now. I think it's probably unlikely to happen in Seoul. This is clearly something where Korea has put an awful lot of investment. I think anyone who's looked at it from an economic perspective finds it to be a truly high quality

free trade agreement that really says an awful lot of the future of the United States strategic role in the region, so it's something that needs to move forward. Unfortunately, all politics is local and all politics now are health care and maybe after that climate change, so I agree with Claude that there are some very real blocks in the Congress to this issue, but this is an issue that I think if there were further statements of encouragement, if there were further statements of support in principle, a commitment in principle, and again they've been said so far, but any reemphasis I think would exceed expectations and would be welcome as we move forward.

Secondly, further discussions on climate change and particularly in Korea's green growth. Korea's interpretation of the climate change debate has not been so much on targets like Copenhagen or Kyoto for emissions targets, but really (Korean) or industry policy types provisions to look at how Korean businesses and the Korean economy can reduce its own climate footprint. But it's Lee Myung-bak administration has invested an awful lot into it and so any reference to that I think would be a welcome development.

Finally, going back to the North Korea problem, President Lee Myung-bak has proposed a grand bargain approach to North Korea. It's still relatively undefined, but in the course of a summit last month with Prime Minister Hatoyama, he got Prime Minister Hatoyama to sign on to it

to say he supports the grand bargain. There were similar although slightly more vague statements out of Wen Jia-Bao in terms of approaching North Korea. I don't anticipate a lot of focus specifically on the grand bargain, but any reference to that from a South Korean perspective at least would be validating for the Lee Myung-bak administration.

To wrap up, let me talk about two issues that are sensitive. One just to go back to it, FTA. I think we do have somewhat of a window. I think the South Koreans have internalized our own domestic problems here, but if this is an issue that keeps getting pushed off and pushed off and pushed off particularly in the context of ongoing trends of FTAs throughout the region, it really does call into question the United States commitments to the region. In other words, if we cannot ratify an FTA of this quality and of this scale with one of our closest allies in the region, what does that say about the United States role in the region particularly economically writ large? So that is an ongoing sensitivity. It may not come up this time around, but I do think it's something that we ought to address first and foremost.

Then finally, the troubling issue of the transfer of wartime operational control. Again I've been assured it's not likely to come up at the presidential level at the summit, but there is still deep-seeded anxiety in South Korea. To give you a 30-second overview of this, you may recall

that this was an issue that was raised during the Roh administration as an issue of sovereignty, taking sovereignty back from the United States, and I think they fully anticipated they would get strong pushback from the administration, but Under Secretary Rumsfeld at the time were pushing on an open door and the Americans said, fine, it's yours, you can have it next year, and obviously South Korea said, no, we want it 20 years from now and eventually they negotiated it down to 2012, but there is still some very deep-seeded anxiety in South Korea about their preparedness for the transfer and I think there's a real need for there to be some ongoing, and I'm sure there is, and even more vibrant discussions on that issue. But all said, I feel in a fortunate position compared to the three previous panelists in terms of the situation in South Korea. Thank you.

MR. LIEBERTHAL: We're going to get our panelists mic-ed up here so that they can sit where they are and handle questions from the audience. While that's happening, let me comment that as I think about both Jeff Bader's presentation and then what we've just heard, it seems to me that two major themes surrounding the trip are, one, that the U.S. is back in the engagement with Asia business big time, and secondly, diplomacy matters. So we're going to pursue an approach that really is sensitive to Asian perspectives, Asian concerns, and obviously along with our own concerns.

We've had presentations that have covered both the contextual issues and actual trip dynamics. I would welcome questions on either of those dimensions or anything else you want to raise that is within this broad sphere. As with the Q and A after Jeff Bader, please identify who you are and what your organization is, and feel free to address your questions either specifically to one or another member of the panel or to the panel of a whole and we'll see who wants to chirp up in response. With that let me open the floor.

MR. HERALD: Scott Herald from the RAND Corporation. I'm wondering, Ambassador Roy, if you can speak to the F-16 question with Taiwan. We've had the panelists talking about China, we've talked about Japan, we've talked about the ROK. Obviously we have a longstanding unofficial relationship for the past 30 years with the ROC. That's a very important relationship in a lot of dimensions. They share values, they play a very important intelligence sharing role. And we have a commitment under law to provide Taiwan with the means to provide for its own defense. The Taiwanese is growing weaker and weaker while the Chinese are growing stronger and stronger, and so the F-26 CD issue is a very big issue in that relationship right now. I wonder if you could comment on where you see that heading under the Obama administration and if anything is going to happen in the aftermath of this trip which some

have speculated will be the push off of this issue until the president has met with President Hu. Could you comment?

MR. ROY: I think Jeff Bader already provided the context for answering your question. Number one, he said there has been no change in U.S. policy on arms sales to Taiwan. And number two, he referred to the fact that tensions are at an all time low in terms of the last 15 years. So the urgency of the question depends partly on the context and the context suggests to me that the administration has time to weigh whether or not F-16s are necessary in order to meet the intent of the Taiwan Relations Act, and that's the way I would expect them to handle it.

SPEAKER: -- I'd like to talk to Ambassador Roy, please. Do you think the United States vitiated any of its authority when the president decided to postpone his meeting with the Dalai Lama?

MR. ROY: No. I think we already have precedence of presidents meeting with the Dalai Lama. To meet with the Dalai Lama right in advance of the president's to China would have been viewed by over a billion Chinese as an affront to China. So it struck me as common prudence for the president not to have the meeting at that time and my impression is that those considerations are understood on the Tibetan side as well.

MR. LEE: Shinshin Lee from -- Group. I have a question for both Mr. Barfield and Ambassador Roy regarding the U.S.-China trade relationship. In my view, the U.S. trade policy hasn't been coherent since Obama took office. Despite repeated pledges against protectionism in different multilateral and bilateral forums we have seen increasing protectionism sentiment domestically in the U.S. including the recent punitive matters against the Chinese -- my question is how do you expect President Obama to reassure the Chinese side during this trip on their concern about U.S. protectionism, and also do you expect any breakthrough in this trade and economic relationship as projected by the U.S. Secretary of Commerce Gary Locke in the recent GCCTC meeting -- U.S. recognition to China's status of a market economy or it's just less control on the U.S. high-tech exports to China? Thank you very much.

SPEAKER: There are a number of things that you skipped over there. I don't really think that there is a great rise in protectionism the United States. I've written against the things we've done and against some of the statements coming out of -- and even some Democrats and some Republicans, but I don't think not just in the United States but I think around the world we have to be careful. We really haven't had and, if God willing, we are moving out of the recession I think the pressure will decrease. As to the U.S.-China trade relations, I actually think, and again

I wrote against the administration in terms of its tire decision which I felt was wrong, but in general I think it's pretty good, and somebody mentioned the fact that we have three cases against the Chinese in the WTO and they have three against us. I see that as a salutary way of handling things because that's what the WTO is for. The Chinese have gotten on their high horse in the last year when they've had cases come against them, but I think it's because -- and I also think that they know this, but their little secret was that for the first 5 years after they got into the WTO there was a kind of understanding among the major nations of the WTO that would not inundate the WTO with case against China, that the -- system really couldn't handle -- there was a lot of things you could have done. By the time you get to 2006-2007 whether it's the United States, the E.U. or Brazil or others, that period of grace as it were was ending and so as China -- and by that year by the way, China -- a lot of its obligations were stretched out to 2006 so it was there -- at that point they were fully -- they were supposed to be fully engaged in WTO rules and I think what's happened is that you have had an increase in cases. But you have cases against the United States and the E.U. We are major trading nations and any major trading nation is going to have cases against it and will also bring cases so I think that is a positive -- I think what the president will do in China would be to assure or try to assure the Chinese that he does

believe in free trade and that he will not countenance a swing toward protectionism in the United States.

SPEAKER: Let me add three points. I'm having some problem with short-term memory, but I cannot recall the last time the United States had a coherent trade policy. Secondly, the tire case had nothing to do with trade policy. It had everything to do with the domestic policies of the health care issue. Thirdly, this is a two way street, it's not a one way street. If you talk to the American business community, there is enormous concern about actions that China is taking that have the effect of protectionist measures in terms of our access to the Chinese market. So both sides have a problem in this area, both have not gone to the extremes that they are capable of, but both have big room for improvement.

SPEAKER: I would say this with both the Clinton administration and the Bush administration and one can disagree with the priorities they had and what they did in trade policy, but I think there was a coherent trade policy and the United States has had one across many administrations, but the multilateral system is our first priority. We have recently added to that regional and bilateral FTAs. But the world knows that. We don't live up sometimes to our priorities, but I think it's been there. My only point about the Obama administration, and I've tried to say

every time I've spoken about this over the 9 months that we're coming to the end of this, for Christ's sake, these guys have only been in office for 6 months so there are a lot of people who are not even in place yet. You can no longer defend them in that way and I think at some point in the next year whether it's with APEC or KORUS as Gordon said or with Doha, the president is going to have to bite the bullet and it's going to have to be Mr. Obama himself because he, unlike Bush, faces a very divided party and he's just going to have to take it on if he wants to do it.

MR. LIEBERTHAL: If I could just add a footnote, I think that protectionist pressures in both the U.S. and China are going to grow greatly over the coming year and a half to 2 years.

SPEAKER: I think that might be the case.

MR. LIEBERTHAL: So I think this issue is going to become really a critical issue.

MR. HAMRON: Carol Hamrin, George Mason University. On human rights and religious freedom issues, under the second Clinton administration we made a big effort to try to make this an area of cooperation between China and the U.S. under the rubric of rule of law. In Obama's visit as Jeff mentioned, we'll take kind of step one leading by example and talking about American values. But given that China is under a lot international public opinion pressure to do more regarding

Sudan, Burma and Korea and human rights issues there, and given now central democracy and human rights are to our interests in Afghanistan, Iraq, Pakistan and everywhere, it seems to me we're missing an opportunity if we don't have a more robust effort to engage with the Chinese on those.

SPEAKER: Carol, I think that's a perfectly valid viewpoint. My experience however is that if we are not perceived by the world as setting a good example, that pressure and rhetoric on the subject are viewed as hypocritical and lose their impact; that if we do set a good example, then exposure to our society is far more effective than rhetoric. So I really do believe that getting our own act improved is the key to having a significant impact on human rights practices in other countries. I cannot recall any significant long-term improvements in human rights that have resulted from outside pressure on countries as opposed to internal development in countries where long-term improvements in human rights require changes in domestic attitudes. I cannot think of a strategy that foreign countries could use in the United States to force us to improve areas where we are deficient. If other countries can't influence us, how are we going to influence other countries? That's the problem. So I think that the administration is going to give it attention, but I think the approach there taking probably merits time to see whether it works.

MR. GOODBY: Jim Goodby from the Brookings Institution. A question for Rust Deming. There has always been kind of a tension between Japanese interests in nuclear disarmament Japanese interest in the nuclear umbrella. Given the new administration in Tokyo and this administration in Washington's attitude toward nuclear disarmament, how do you see this issue playing out in the next couple of years?

MR. DEMMING: That's a very interesting issue. The Japanese are quite conflicted about it partly depending upon where they are in the political spectrum. Just one anecdote. I was in Tokyo in June and I met with a senior foreign ministry official shortly after the president's Prague speech and he said to me, “I hope now the U.S. can support Japan's annual resolution at the U.N. General Assembly on nuclear disarmament” and the U.S. had either abstained or opposed over the years and Japan had been a cosponsor almost all the time. And then the next morning I was having breakfast at the Okara Hotel and an academic friend of mine on the more conservative side ran over to me and said, “Don't you dare let the U.S. support the Japanese resolution. That will undermine the whole concept of extended deterrence.” In -- this morning, the Japanese newspaper, was an article quoting James Schlesinger the former Secretary of Defense as part of a panel on the nuclear posture review engaging with some Japanese again on the conservative side and

he reported to the -- that the Japanese were very concerned about moving forward with nuclear disarmament in some way undermining the whole credibility of U.S. nuclear deterrence, so it's a very delicate issue. I think that there needs to be a good dialogue, I think Kirk Campbell has already started one, with the Japanese in the context of our nuclear posture review of next year that we don't do things there that could undermine the credibility of our alliance.

MR. ROSMAN: Gil Rozman at Princeton. I want to ask about a possible Bosworth visit and whether that will produce more division between South Korea and China and how they would like us to handle the North Korean issue. I got the impression that there was some optimism from the comments that were raised that we are going to manage our relations with these two countries better in dealing with North Korea, and yet it seems to me that what China and South Korea are after in terms of their strategies for dealing with this are quite contradictory and that there's a very good chance that we'll see in this approach that China is pushing for a very soft approach to North Korea in order to concentrate on talks with denuclearization a little vague and uncertain until we get further along in the process and that is the opposite of what Lee Myung-bak has been seeking. I wonder if you anticipate that problem and you see how we can handle it.

MR. LIEBERTHAL: Gordon, despite your saying that there was really no real news in the visit to the South Korea, I think we've got a question for you anyway.

MR. FLAKE: One thing that's true is that it's a lot easier to coordinate a policy when the policy is to do nothing or to put pressure on North Korea, and the real challenges will always come once you begin the process of negotiation because then the difference nuances as you're describing in terms of policies come out. One area where I might disagree slightly with what Ambassador Roy said in terms of his discussion of the Chinese visit, Wen Jia-Bao's visit in particular, is I think the Chinese themselves recognize quite clearly how little they got from their visit to Pyongyang. Wen Jia-Bao went because it was the sixtieth anniversary, went bearing a lot of gifts to the North Koreans and in the end Kim Jong-Il gave this vaguely worded statement about how he is willing to come back to the Six Party Talks, did not mention denuclearization, did not mention the agreements of the Six Party Talks, no agreement to return to compliance. He essentially said if the United States recognizes us as a nuclear power and we see progress in our bilateral relationship, then we'll come back to your silly little Six Party Talk thing. Clearly that's not a lot of progress on the North Korean position. It's really no change whatsoever from their previous position with the exception that they were willing to

utter the hated words highly conditional Six Party Talks. I think if you look at the Chinese blogosphere and the Chinese analysts, even before Wen Jia-Bao came back, they were quite critical of what Kim Jung-Il had given. So I believe the Chinese recognize that. It's a matter of face. You can't say that Wen Jia-Bao's visit failed so you can't come up and say he got nothing from the North Koreans. You've to say the ball is now in the American court. But if you push it pretty hard, I think there's a clear recognition throughout the region both in Seoul and in Beijing that the ball remains firmly in North Korea's court, that North Korea has not made a strategic decision to return to compliance with its previous agreements and that remains a common challenge for both Beijing and Seoul. I think, Gil, you're absolutely right. If it does pan out to be a Bosworth visit and if there is the initiation of some form of diplomacy, therein lies the real challenge in coordinating of policy, it's not when we're putting pressure on.

SPEAKER: Several points. One, there have been differences in the media coverage in North Korea and in China of the visit by Premier Wen Jia-Bao. But in private conversations, the Chinese do not describe their visit and the accomplishments the way you have put it, Gordon. They are very explicit that they did back away from the positions that they had publicly taken after the second nuclear test and the Chinese media has openly covered it that way referring specifically to

denuclearization on the Korean Peninsula linking it to the Kim Il-Sung legacy commitment which was not in terms of general disarmament but in terms of the Korean Peninsula per se. The Chinese would welcome a visit by Ambassador Bosworth to North Korea because they believe that a bilateral connection between the United States and North Korea is necessary to get back to the Six Party framework which they think has to play the crucial role in bringing about the agreements.

The problem with any approach to North Korea is if hard-line approaches worked, we wouldn't have a problem. If soft-line approaches worked, we wouldn't have a problem. The question is how to find the right balance so that you can actually get progress in the right direction. I think that for other countries to preach to the Chinese about how to deal with their very difficult neighbor doesn't make much sense. The Chinese have more experience in dealing with the North Koreans than other countries and their experience is public hard-line postures toward the North don't work and that you need to always use your iron fist with a silk glove around it, and that's the way I interpreted the Wen Jia-Bao visit. To have Kim Jong-Il publicly repudiating positions that they had publicly asserted just a few months earlier, I don't think the Americans could have produced that.

SPEAKER: CSIS visiting scholar. A question to Ambassador Roy. President Obama will talk with Chinese leaders, Hu Jintao, maybe Premier Wen Jia-Bao about many issues. I think you know those issues are at the global level, regional level and domestic levels such as the global financial crisis, global climate change, the North Korea nuclear issues, Iranian nuclear issues, Asia Pacific cooperation, Afghanistan, many issues that are involving the global and regional levels. They will also talk about issues involving domestic levels such as human rights, trade imbalances, currency exchange rate, environmental protection, freedom of media, freedom of religion, democracy, rule of law, access information -- policies. Many issues from three levels, global levels, regional levels, domestic levels. My question is do you think the United States recognizes that China is a global power because many issues both China and the United States are involved in from the global level -- studies of international politics at the global level, regional level and domestic level. Do you think the United States has already recognized China as a global power? Thank you very much.

MR. ROY: You've answered your own question. You have described the agenda for the talks. We don't have that type of an agenda in discussions with many other countries. With China we do have that agenda now and it involves the big issues that we are confronting both

globally and regionally. So there is no question in my mind that we recognize China as a global power.

SPEAKER: My question is about the Korean free trade agreement which I think is a great idea, but my recollection is that when we were getting close to a deal there were massive protests in the streets of South Korea which I think has to be a consideration, I want free trade but I also want democracy. How deeply unpopular is this in South Korea itself? And something that I really don't understand is why is it so much more unpopular than free trade with Europe which actually seems to be extremely popular in Korea from what I can tell? It seems like there were no street protests over the -- I think the reason that the E.U. has beaten us to this is that despite the Bush administration's advocacy for it, it was unpopular, whereas in Europe it wasn't considered -- for whatever reason it wasn't unpopular.

SPEAKER: Despite the assertion in some circles politically in the United States that it's bad for our president to be respected overseas, I tend to agree with what Ambassador Bader this morning, that if you have a president who goes and he's enormously popular in the domestic parts of the country, it gives us an awful lot of leeway and influence on a whole range of issues from security to trade. Obviously during the course of negotiations, remember that the deal has been

negotiated. The deal is done. This is a question of ratification both in South Korea and the United States. There was opposition both domestically in the United States and in South Korea and that's to be expected in any negotiation. The primary demonstrations you saw in South Korea, there were some early on, but the primary ones were after the deal had been negotiated and there were primarily focused on the beef issue. It was all a domestic safety issue. And it really turned into an anti-Lee Myung-bak administration. So if you look back to the spring of 2009, early this spring and the tremendous street demonstrations that took place, they weren't really anti-Bush even or anti-Obama or really even anti-FTA, they really were about the decision-making process of the newly elected Lee Myung-bak administration which was harkening back to some old ways of decision making in a country that had changed dramatically over 10 years. It had become much more open, much more democratic and much more used to what they call participatory democracy. Then when you mix all that together with some out-and-out lies that were told where there had been prosecutions of journalists about the beef issue and the way the government handled it and the sensitivity of this to average mothers, it really blew up in its face. But I wouldn't characterize that as an anti-FTA demonstration. Clearly there is some opposition to the FTA within Korea. When the key committees in the Korean National Assembly

tried to ram it through in the summer, I think you may have seen the attacks with chainsaws on the committee door and fire extinguishers and there was a lot of passion, but opinion polls still show across the board 70 to 80 percent support for the FTA among the South Korean public and that's quite remarkable given the fact that Korea gave an awful lot in a lot of different sectors in that agreement, because the Koreans rightly view this as a strategic deal. It's economic and the economic benefits, and I think Claude can speak to this, are almost beyond contestation across the political spectrum. But beyond that, this is linking the economies of the United States and South Korea together in a way that I think people view as beneficial to both countries and in a world where as Claude mentioned there are 120 some odd FTAs, many of them that China has been leading, I wouldn't consider FTAs, I think they probably are more trade exclusionary by nature than that. So to have competing models of what an FTA is and for us to have one of this quality out there and not move on it really says an awful lot about our leadership. So I think the South Koreans are willing partners. They're just waiting for the go from us. They're waiting for the green light from us. That applies to the government and that applies to the body politic writ large.

MR. LIEBERTHAL: Thank you.

SPEAKER: I think the danger is though that as long as it's not ratified, it's hostage to events, all of the events as you say that had nothing to do with the FTA come up and that would be a vehicle for opposition. So there's another reason to get forward I think with this and certainly all the economic analysis for all our faults we have a more open economy than the Koreans and particularly in services and particularly in agriculture, so that's a one way street.

MR. LIEBERTHAL: Thank you very much. I think I'm going to have to call this to a close. You've all been here for 2-1/2 hours and I hope you found it as useful as you had hoped, and I wanted to ask you to join me in thanking Stapelton Roy, Gordon Flake, Claude Barfield and Rust Deming.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

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