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# A REVIEW OF THE "ASIA REBALANCE" AND A PREVIEW OF THE PRESIDENT'S TRIP TO THE REGION: A CONVERSATION WITH THOMAS E. DONILON

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P R O C E E D I N G S

MR. THORNTON: We're going to spend the next hour with our good friend, Tom Donilon, who doesn't need any introduction and is not going to get one other than to say you're all aware he was -- spent five years in the administration and most of those years as the national security advisor. What we're going to do is I'm going to start by talking about -- or asking him about the rebalanced Asia. I'm going to try to stay at a strategic level and resist and fail at resisting talking about certain issues that are hot right at the moment. We're going to go sort of back and forth between the strategic and the immediate. And so what I'd like to do is ask you first to just take us through in your own words what the rebalance actually is so that it's clear to people because this thing does get a little bit of a kind of lack of clarity from time to time.

MR. DONILON: Thanks, John. Can -- is that all right for the sound? Great. Okay. Thanks for having me here today; it's good to be back. As a lapsed member of the Brookings Board of Trustees I'm happy to be here and in their embrace again today. And I hope Strobe does well on his medical issue and we all wish him well I know.

So with respect to the rebalance as most of you know here this was a passion of mine in the course of the Obama administration. And it, you know, it was the right strategy in 2008 when we designed it

and it's the right strategy today. It had its roots in a number of things. One is a reflection of and recognition of the role that the United States has played in Asia for the last over six decades. And it's really the -- really putting together the platform on which the extraordinary social and economic development of Asia has been built. And do a thought experiment and think about where Asia would be in terms of rivalry versus prosperity and think of all the comparisons, where it would be absent the United States presence in Asia for the last six decades. And I think that thought experiment really does underscore the importance of the U.S. presence there.

Secondly of course was the recognition that the United States' future, our prosperity and security going forward and Asia's are interlinked and increasingly so into the 21st Century. We at the outset of the Obama administration during the course of the transition undertook a complete review of the foreign policy and we asked ourselves the kind of questions that a lot of you here would ask in business which is where are we overinvested and where are we underinvested, do we have the right footprint, the right allocation of assets if you will in terms of the U.S. assets in the world. And we came to the conclusion that we were way overinvested frankly in terms of military activities and assets in the Middle East and we were substantially underinvested across all dimensions of

American power including things like mine share and presidential presence and things like this in Asia. And so we undertook to rebalance that. Now there's been some -- you know, some people call it pivot and some people call it rebalance. I've been given -- having -- you know giving the presentation of this from time of the transition into early 2009 I really would call it a rebalance. Pivot's too sharp frankly. The speech writers like pivot because that's a strong word, rebalance is too complicated. But the policy is a rebalance which is kind of a reallocation of resources that doesn't imply that the United States as a global power is turning away if you will from its responsibilities in other areas of the world and of course we can't and I hope we can see that in the world today.

But the strategy itself, John, was multidimensional and it included at least the following half a dozen things. One is a real focus on alliances at the key to our presence and future in Asia and to revitalize and renew those alliances which by the way had been frayed. The period -- that's not a partisan comment, I think it's a fair thing to say -- is that the period leading up to January of 2009 was an exhausting period in American foreign policy, tremendous exertion and big projects around the word. It was also in the wake of the financial crisis. And so our -- we had a lot of fraying around our alliances and we really I think dug in deep into renewing those alliances. And I think today frankly, you know, one of the

things we can do today is talk about an assessment about where we are. I think we've made steady progress along all these dimensions including alliances. I think today our alliances in Asia are in as good a shape that they've ever been. I saw a poll recently which had -- and this has not always been the case as a lot of you know in this room -- 84 percent of the Japanese people support the American alliance. There's a similar number in Korea for example. And there a lot of reasons for this but there's been a lot of attention paid to this. Now we can talk about some of the issues there including our real challenge in terms of the relationships between Seoul and Tokyo right now which is a real challenge for the United States. I think it undermined a lot of we're doing here and it needs to be addressed. The alliances were at the core.

Second is establishing relationships with emerging powers in Asia. And essentially imagining those coalitions that we thought -- the partnerships we thought we would need to have in the next decade or two decades in terms of pursing our interest in Asia and that caused us to really dig into really deep in the relationship with India that has its own Asia strategy. Obviously it's go East strategy, Indonesia and other countries. I think we've made substantial progress along all those lines too.

Third was to pay attention to institution building in Asia.

Interestingly enough it's -- as you know it's a region of the world that doesn't have anything like the institutions that we have for example in Europe. And those kinds of institutions really wouldn't work in Asia because there's a particular kind of interaction among countries in Asia. But we really focused on trying to build out institutions in Asia; paid attention to a very important ones, ASEAN, the Southeast Asian countries has been a real focus in terms of building out our relationship with them as an institution. Lots of pieces to this including the fact that the President has met with the leaders of ASEAN every year he's been in office at the head of state or head of the government level. And we have for example just next month Secretary Hagel for the first time is meeting in Hawaii with the ASEAN defense ministers. But building out that as an institution.

We also sought to build up the East Asia summit which has been an organization that's kind of been rolling along without a lot of purpose. We determined that the President would participate at the head of state level on a year basis there. Why? To try to give it a focus and to do what we can do to make it the premier institution in Asia for security and diplomatic discussions. And it's had a real impact, particularly in the South China Sea discussion where we've been able to multi-lateralize that discussion with the Chinese. So institution building.

Fourth has been to build out -- it's on the political side -- an

economic architecture for the future. Obviously the focal point there has been the Trans Pacific Partnerships, the TPP negotiation which has been a big effort by the United States, part of an overall trade strategy that we've had globally. It's the most important trade negotiation going on in the world today. It involves 40 percent of the world's GDP. I think that there's been a lot of progress made in it. We have some domestic issues here which we can talk about with respect to it. It is a critical economic step for the United States. It is the way in which the United States and its partners will design high quality, high standard rules of the road for economics going into the future. And that's an important -- there are others out there that would like to design those rules and I think having the United States and its partners really at the center of that, building that order if you will around trade is very important. It's linked by the way strategically to the TTIP and the Atlantic side but I'll talk about that in a second. But as a strategic matter this really is an important strategic leadership initiative for the United States. It's a win-win between the United States and the countries of Asia. I said it's positive on the economic side, it is really important on the leadership side for the United States. And it really is the center of the economic element of the rebalanced Asia.

And the fifth piece was a constructive and productive

relationship with China. And we've put and have put enormous effort into this as you know. And President Obama and President Hu Jintao, the former President of China met 13 times in 4 years. The President has had two meetings already with President Xi including an important summit which I negotiated at Sunnylands, California last year. The President I think is schedule to see President Xi at The Hague, at the nuclear security summit later this month. But an intensive involvement obviously with China in terms of that relationship. That's very important by the way because we have dual roles at least, right. On the one hand our partners and allies in the region want to see us meet our obligations and provide the reassurance and assurance that's necessary there particularly in the wake of the rise of China. On the other hand they expect us to run a constructive and productive relationship with China and not to force unnecessary choices on countries in the region. That's a very important insight and it's made powerfully by the way -- if you haven't seen it -- I don't know if he's here or not or listening, Geoff Dyer, the FT, has written a book called *The Contest of the Century*, which hi read this past week and which goes into this in some detail. It's a really good book if you are interested in this topic.

So those are the key elements. I think we've made steady progress along each of them. There are challenges. The President's

going to Asia in April. It's in some ways a makeup trip for the trip he missed last November because of the nonsense in Washington around the shut down. That was a very, very costly cancellation frankly. There were two summits that were on tap, there was the APEC Summit, there was East Asia Summit, where United States presence makes all the difference. And without the United States there they're not going -- it just won't be -- not as productive. The President wasn't able to go. Also there was also a Malaysian Philippines on that trip. So he'll make that up, the Malaysian Philippines side of this when he goes in April. He's also going to go to Northeast Asia to visit Korea and Japan which I think is very important in terms of underscoring again kind of the centrality of our alliances in Asia.

As I mentioned in terms of the alliances we have this really -- you know, you have this intersection of history and nationalism, right, you know, and it's, you know, and obviously very troublesome right now between Seoul and Tokyo and I hope the President can obviously address that there. He also has the opportunity to see both the leaders of those nations, President Park Geun-hye and Prime Minister Abe at The Hague this month and perhaps he can get them together there to start to make some progress or I think the United States is going to have to become more deeply involved in trying to pull them together.

MR. THORNTON: So let me ask you when the rebalancing was first rolled out and you were at some point chose to or deputized to go and speak to the Chinese --

MR. DONILON: Yeah.

MR. THORNTON: -- and talk through with them exactly what this meant, give us a sense of the texture of those conversations, the volume, the quality, the level, so that we could get some insight into the nature of that relationship and how you managed that.

MR. DONILON: Yeah. Yeah. I think I probably spent about 30 hours making presentations to the Chinese leadership on the rebalance over the course of the four years. And it begins where I began here which is basically a recognition of the historical role that the United States has played. The benefit of that role has been for Asia in terms of social and economic development. And perhaps no country has benefitted more than China frankly from the U.S. presence in Asia. The presentations had to be very clear with respect to our commitments in terms of alliances and our partnerships there, the kinds of goals that we have in terms of the order that we'd like to see in Asia continue. A discussion quite direct with the Chinese about whether this is containment under another guise. You know, my lead point on that, John, typically would be something along these lines would be we know what

containment looks like and we are quite familiar with all the aspects to that and it doesn't resemble a $500 billion dollar a year trade relationship or anything like the relationship we have with China and it kind of moves from there. We talk about some of the challenges that we have in terms of our building out a constructive and productive relationship. One that I am increasingly concerned about is the fact that the military to military relationship between the United States and China is way behind the diplomatic and economic relationship and it's very, very -- it continues to worry me frankly. But that's kind of the tone of the conversations. And then move to the point that I made in the presentation which is that an essential element of our intensification of our effort in Asia is a constructive and productive and intensive relationship with the Chinese government.

MR. THORNTON: And on the Chinese side, the question they're asking you --

MR. DONILON: Yeah.

MR. THORNTON: -- are these are very in depth questions or these are sort of wary --

MR. DONILON: Quite direct.

MR. THORNTON: Quite direct?

MR. DONILON: Yeah. You know, why do you have this

military activity in this area, you know. What is your vision of the TPP? Will the TPP effort be open to Chinese participation? I mean it's at that level of -- that level. We have a -- in my judgment, you know, quite a good -- in terms of openness, right, and detail as straightforward -- I think at think at this point built out a pretty good set of relationships with the Chinese leadership. Now they have a lot of challenges right now and we can talk about that. And some of the things at this point are less clear than I would like them to be in terms of the future, but in terms of the mechanisms I guess is the word I'm looking for, the mechanisms are quite sound right now I think in terms of the conversation. And frankly there really isn't any reason for there to be any questions to go unanswered as between China and the United States about our intentions.

MR. THORNTON: And you spent quite a bit of time with the senior Chinese leadership, current leadership. Give us your impressions of them and also their impression -- your impression of how they're thinking about us.

MR. DONILON: Well, with respect to the Chinese leadership I say the following thing: number is that President Xi has consolidated power quite quickly and quite effectively. And we -- you know you could see this almost from the beginning of his tenure, he really does operate very much a first among equals, doesn't really present himself as just a

member of the team, but rather really operates quite confidently. You see the consolidation in a number of other areas, by the way, more concrete. And that's just a personal observation. But the more concrete areas like he assumed the chairmanship of the central military commission right away. It took Hu Jintao two years to come to that position I think. He has brought into his office a very, you know, quite impressive group of projects and people frankly. You know, he's running a number of the key projects and initiatives right out of his office, you know. He's chairing the leading committee on the economic reforms that were announced at the third plan. Just the other day he announced that he would running the cyber effort that they're -- their cyber policy effort right out of his office. So a real consolidation of power around Xi. He has a -- there's a real focus obviously on the economy and the economic challenges as you know. I think, you know, if you go to the old adage that personal is policy I think that it speaks to a serious reform effort. As you know a number of these folks who work with President Xi including the Premier Li Keqiang and his -- almost his personal economic aid, Leah Hu. So it's I think a real focus there and a pretty high quality group frankly of aids around these issues. I think that we're still discerning and they may still be working through their overall foreign policy approach. You know, they've had a -- if you look at the dynamic in the region the last three or four years in some ways, in

many ways frankly Chinese conduct has generated increased demand for U.S. leadership in the region and I think that they're trying to get this balance right. But there are a lot of stakeholders in China who are pushing and pulling with respect to the leadership and how aggressive or not aggressive to be on the foreign policy ground.

MR. THORNTON: So I want to now to go into -- take a slight tangent and then come back.

MR. DONILON: Yeah.

MR. THORNTON: So we have the situation in the Ukraine.

MR. DONILON: That's a tangent.

MR. THORNTON: But what I want -- I want to come into it though through China.

MR. DONILON: I'm sorry.

MR. THORNTON: What I want to know is in -- I want to know what you think about the whole situation but I also want to know in relation to the situation how do the Chinese and the U.S./China relationship figure into that if at all?

MR. DONILON: Yeah. I think as a -- the number of kind of competing interest that the Chinese have or competing principles and I think it puts before them a number of difficult questions. I think I know -- we seem to know where they're coming down. On the one hand a core

principle of Chinese foreign policy has been the non interference policy. And it has -- this has been at the core really of their foreign policy since I've been following it. And this obviously is directly violative of that principle, this being the Russian actions in Crimea and in Ukraine. On the other hand of course they have a relationship with Russia where they typically choose to act together. And the third issue that they have I think here is that they have a substantial commercial relationship with Ukraine, particularly in the agricultural area where they obviously do import but they also have substantial real operations in Ukraine including, you know, farmland somewhere on the acreage of Belgium, right, given the scale of the operations that they have, that the Chinese have in Ukraine. So they have some competing interests here. Which are seen now the Chinese foreign ministry has been a I think basically kind of a we're going to abide by our principles I guess which is that, you know, we respect the sovereignty and territory and integrity of Ukraine should be respected and that Russia and the other parties should work this out. So they haven't automatically in any way reflectively said that they would stand with Russia for example in resisting critiques of their activity here. And I think they have kind of tilted toward the non interference principle and also tilted towards not surprisingly protecting their commercial interests in the Ukraine.

MR. THORNTON: Okay. Now --

MR. DONILON: Which you imagine would be quite damaged if they --

MR. THORNTON: Right.

MR. DONILON: -- went in a different direction with respect to where the current government is in Ukraine.

MR. THORNTON: Okay. And I just want to stay with Ukraine just for a second.

MR. DONILON: Yeah.

MR. THORNTON: Because you also spent a lot of time with President Putin so you've got a feel for him personally. What do you make of -- what is he doing? And where is this going to play out and how do you think we should think about this?

MR. DONILON: Well, a couple of things. One is that, you know, and I don't know if Steve Pifer or Fiona Hill are here, we've got great scholars here on Russia and Ukraine at Brookings, I mean really first class scholars, and Fiona's done a great book on Putin. With respect to Putin my observations are these, John, one is that for him these concepts of balance of power, spheres of influence are quite real concepts and quite relevant to how he views the world. Number two, that he has tried to carve out a distinct posture for Russian foreign policy. It's mainly been

though a contradistinction to a counterpoint to the West and the United States as opposed to an affirmative policy. He has a long list of grievances and sense of threat from -- towards and from the West. I think with respect to Ukraine that he regards it as an element of the Russian sphere of influence. There's not a real appreciation or approval of Ukraine or any of the former Soviet Republic acting completely independent of and certainly not contrary to Russian interest. When the Yanukovych government fell, this is a real blow. It's also related to this kind of fanciful view that I think President Putin has if a Eurasian Union that could be a counterpoint to the European Union and without Ukraine even that fanciful, you know, kind of perspective goes away. That's not going to happen without Ukraine. But the point is here that Ukraine is orienting itself to the West. And he saw that and determined after the Olympics, where by the way they had spent $50 billion dollars trying to burnish their image in the world, that I think when he got back to Moscow they saw what I described here which is basically a key element of their sphere of influence orienting itself to the West and he determined that he would do something to regain leverage in the situation to be able to try to affect the situation, regain leverage and perhaps destabilize the new interim Ukrainian government. And I think that's what is -- I think that's what's happened here. You know, this -- and by the way this is consistent -- you

know, I recall in the summer of 2008 in the wake of the Georgian military incursion by the Russian President Medvedev gave a talk that was quite well noted at the time where he expressly talked about the fact that Russia had privileged interests in these former Soviet Republics and that was a direct statement and the fact that they believed that this was a sphere of influence. And I think that's what he has acted on here.

MR. THORNTON: So how does see this thing playing -- what are -- think going to happen, how's it going to play out?

MR. DONILON: I don't think it's clear frankly. I think it's actually, you know, it's a -- you know, the Crimea has been a potential flashpoint for a long time, you know. Really from the time of the break up with the Soviet Union analysts have worried about a potential conflict there. You know, I think that the United States and the West I think is on the right track here in terms of multidimensional policy, embracing the interim government in Kiev is important and the fact that Kerry went there two days ago and other foreign ministers from the West have gone. He convened a number of these leaders in Paris yesterday, so I think a full embrace of the new government there is really important form the West. I mean I'd have the next foreign ministers meeting actually in Kiev actually. Second, a kind of an immediate action to kind of shore up the Ukrainian government financially and we've seen steps by both the United States

promising $1 billion dollar facility and then the European Union promising $15 billion dollars in the form of loans and grants and some credits over the next two years. I think that's pretty important. Third is an effort to try to de-escalate the situation and try to move towards a negotiated solution. And I think the elements are being put out there with respect to monitors in Crimea. You know, the stated reason by President Putin for why they went in there was to protect Russian nationals or Russian speakers or Russian compatriots and of course there's been no evidence of anyone threatened in Crimea. So it's a total pretext and for it, but the real reason I think is what I outlined earlier. But that can be addressed through a set of monitors coming -- Prime Minister Lavrov rejected that yesterday saying he didn't think it would help, but why wouldn't it help to have monitors there to be able to give them an objective view as to what was going on there. You know, I mean a recognition of the Russian concerns there including the concerns about their very large black fleet base at Sevastopol can be done, but move towards elections. So there are elements here of a potential solution if the Russians are interested and Kerry is pursuing, you know, pursuing that pretty vigorously.

In the interim I do think it's important for us to continue to reinforce our commitments to our NATO allies and it's important to do the next piece here which we're doing which is to basically indicate to

President Putin that acting illegally essentially to up end the post cold war order, right, of borders and acting consistent with the national law, that there's a cost to that and we've begun to move on a set of sanctions that are important to do now. Last thing I'll say on that is that the -- there's a lot of commentary to the effect that the West and the United States doesn't have any leverage. That's just not true. You know, you can stand defiantly as a political posture if you're President Putin aside from the rest of the world and be isolated if you will and take the criticism from the rest of the world with respect to the things that you've done. And he can take that posture. You can't do that with your economy. In a globalized economy you can't stand over here and unplug, right, you know. And in fact their economy would be vulnerable I think to sanctions and we've got -- I think that the West has a great deal of leverage frankly.

MR. THORNTON: Okay. I've got two more questions then I'm going to open it up to the floor so you might be thinking about what you want to ask Tom.

Talk about how this Ukraine situation and our relationship with the Russians, the impact of that on what we're trying to do in Syria, what we're trying to do in Iran and the rest of the Middle East.

MR. DONILON: Yeah. And think that's a very good question. And, you know, which is why it would be in everybody's

interests to try to move this towards a diplomatic settlement. And again it's dangerous every day when you have, you know, Russian troops in Crimea, Ukrainian troops there, Ukrainian National troops there interacting, it's just fraught with potential for miscalculation and mistake and overreaction and every day that goes on is a very -- is a real danger. So a diplomatic solution would obviously be in everybody's interest.

With respect to the other projects that we're working on with the Russians, and there are a number of them and, you know, I've spent a lot of time as you know with the Russians on each of these projects. You know, we have this -- in Syria we're working together -- we were working together, we suspended military cooperation in the last couple of days on getting these chemical weapons out of Syria. We've been working actually quite closely together for the last four or five years on the Iran project as they are a member of the group of nations that have been negotiating with the Iranians. We've actually had very good cooperation with the Russians including on sanctions. So these are important projects. In each of those cases though, John, the Russians have independent interests for pursuing them, you know.

MR. THORNTON: Mm-hmm.

MR. DONILON: The Russians have an independent interest in trying to prevent Iran from acquiring a nuclear weapon. They have quite

a bit at stake in terms of the success of chemical weapons destruction project in Syria and I think that's how you have to kind of address it. But I do think that, you know, that it's a fair question.

MR. THORNTON: Let me -- I'm sorry, I said I have two questions and I actually have three. My second one is you characterize the relationship with the Chinese and the mechanisms you said were quite healthy and robust.

MR. DONILON: Except in the mil to mil area.

MR. THORNTON: Okay.

MR. DONILON: Yeah.

MR. THORNTON: How about the U.S. and the Russians? How?

MR. DONILON: You know, I think that -- well, we have all manner of interaction with the Russians and I guess I would describe it a couple of ways. One is that from the period of April 2009 until May 2012 which is basically the period when President Obama and President Medvedev were in office together it was quite constructive. I went to see President Putin on the Friday night before he was inaugurated in May of 2012 and it was clear then that there was going to be a change in approach and frankly since then the Russia/U.S. relationship has -- again we have a number of mechanisms that we work on every day but at the

strategic level, the big project level it had stalled. And it really has been stalled then largely because of the disagreement over Syria and that's a whole other discussion that we can have. But it's been stalled. So a number of the big things that we were moving to work on including the next step in arms control have been really -- again as I said I think the right word is stalled by our fundamental disagreement over the approach in Syria.

MR. THORNTON: Okay. So my final question is -- I want to go back to Asia and ask you to comment about what I'll call the triangle between China, Japan, South Korea and on the one hand the complexity with respect to how the Japanese are behaving at the moment in relation to the Koreans and the Chinese. And on the other hand the Chinese stance towards the South China Sea and the East China Sea and how they in practice the rebalancing is playing in such delicate, tricky, complex topics.

MR. DONILON: Yeah. Well, I -- well, taking the last part first I think with respect to the South China Sea and the U.S., you know, push if you will -- you know, we don't have any claims. We don't take a position on specific claims with respect in the South China Sea I'm talking about now. But we do have a view on how nations should conduct themselves with respect to settling or addressing these claims and it is

against coercion or force or threat and trying to steer it towards mechanisms under international law. We have -- again we don't have a specific interest in any particular claim but we have a big interest in freedom of navigation, settling disputes by international law, settling disputes peaceably and that really is the thrust of our effort there. And you saw that the administration actually made some very really kind of direct statements in the last couple of weeks with respect to the South China Sea claims that China has made a gain as a way to make a statement about the need to have these claims solved consistent with international law and peaceful resolution and freedom of navigation. You know, my presentation to the Chinese on this began with the presentation on their interest in ultimately as a global -- as a country that has to operate globally -- interest in freedom of navigation and these principles being enforced.

MR. THORNTON: And how about on Japan --

MR. DONILON: Yeah.

MR. THORNTON: -- Korea, China?

MR. DONILON: I think that, you know, this is a -- you know, the security situation in Northeast Asia right now is quite delicate and the U.S. plays a role here in terms of its ability to really advise all parties to reduce tension and to try to look for means of reconciliation. And I think

that's an important role for us to play. As I said with respect to our allies I think the President should play a -- the United States should play a direct role with respect to trying to seek reconciliation and direct contacts between the leaders of those two countries going forward. We have a lot at stake, you know. This is the -- we have a lot at stake in Asia, we have a lot at stake in Northeast Asia and our ability to do the things that we are looked to to do is provide security in Northeast Asia is directly affected by the quantity of contacts and the quality of the relationships between Korea and Japan.

MR. THORNTON: But in that example --

MR. DONILON: Yeah.

MR. THORNTON: -- will the Japanese and the Koreans and for that matter the Chinese, will they accept the basic premise that the United States has -- that we want the United States to engage in these conversations on topics that are so sensitive to them and so --

MR. DONILON: I think that they would agree with the proposition that the United States should advise all the parties, right, to engage in approaches that don't raise tensions unnecessarily. We also by the way are quite clear in these discussions, for example -- and again you've missed up two or three of these things here, right.

MR. THORNTON: Yeah, I know.

MR. DONILON: They're different discussions and we've got to be very careful about them. You know, with respect to the alliance discussion, you know, that's an alliance discussion and what I said we have an independent interest in seeing better relations between Korea and Japan --

MR. THORNTON: Mm-hmm.

MR. DONILON: -- that directly affect our ability to do the things that we are looked to to do there.

MR. THORNTON: Mm-hmm.

MR. DONILON: Which is to provide security in the face of an emergency act. And that trilateral -- those trilateral sets of cooperation they really are quite important to the United States and our ability to carry this off. With respect to China and Japan I mean the United States being able -- you know, for example -- here's a good example, last November the Chinese government unilaterally declared an air defense identification zone --

MR. THORNTON: Mm-hmm.

MR. DONILON: -- that overlapped with the air defense identification zones of Japan and Korea and Taiwan actually. It was important for the United States to act in that situation and the Chinese saw that this just wasn't a step that affected Japan. I think that's frankly where

it was aimed.

MR. THORNTON: Mm-hmm.

MR. DONILON: But they saw that in fact it would affect U.S. interests and I think that the American statements and position that we took including by the way reminding the region of our alliance relationship and obligation to Japan was really important I think in terms of tempering conduct.

MR. THORNTON: Are you optimistic on these issues getting sort of sorted or are you -- do you feel as though they're going in the wrong direction?

MR. DONILON: I think it will take leadership in each of the capitals and we need to find some ways to break the ice if you will. I think that's important and I think that's something the United States should be focused on trying to -- the parties who -- now they have to do it themselves and as I said earlier these are deep issues of history and, you know, quite sensitive issues. But encouraging the leaders to operate sensitively in the recognition of that, to find ways to move towards appropriate reconciliation, to try to keep tensions down, and to find ways to break the ice so that a dialogue can develop I think is an important function for the United States to play. And we're a positive force there frankly in that.

MR. THORNTON: Mm-hmm.

MR. DONILON: Absent that, you know, where's the push back, you know? And where is the, you know, where's the constructive voice? I think that we should be a constructive voice in looking to the big picture if you will in terms of Northeast Asian security and also trying to keep in place the platform that we've had in place as I said for six decades which has led to the rise of all three of those nations.

MR. THORNTON: Okay. The floor is open now.

QUESTIONER: Mr. Donilon, thank you so much for that interesting discussion with John. I'd like to touch on a point that you raised earlier and that is of the Chinese -- thank you -- the point that you raised earlier about the Chinese importing food from Ukraine.

MR. DONILON: Yeah.

QUESTIONER: Clearly the Chinese have reached throughout the globe for agriculture imports and by implication water because of their own inadequate supply. Can you comment on this more broadly and give us a sense of whether this is a vulnerability for China. Does it give other nations leverage? And then of course the related question of whether the new government which is looking towards economic reform, are they also looking towards a more sustainable economic model with regard to climate?

MR. DONILON: Yeah. Well, I think on the latter, I mean think for sure and you've seen announcements just in the last few days on that. They have big stakeholder issues though with respect to trying to move forward there. On the resource issue this is a central challenge of the Chinese government which is to provide the necessary core resources to continue their economic development. And it's -- it really is the cause of our -- kind of in the world and are bumping into China all over the world here and, you know, their determined efforts to try to find appropriate supplies. I think it's most interesting in the next few years in the energy field where, you know, just as the United States reliance on Middle East energy is -- you know, the lines are crossing, it's going like this. You know, and the Chinese reliance on Middle East oil and energy, it's going like this. And I think that leads to some interesting discussions about energy sources, about rules of the road, about Chinese interests for example in the Persian Gulf. I think they now have a deep interest in a stable Persian Gulf given the energy needs that they have. They have a deep interest I think in pressing for example Iran to settle the nuclear file, you know, the complication in the Middle East and the resulting increase in oil prices could be obviously very damaging to China. But I think this is an essential part of what they're up to as a government.

MR. THORNTON: Allen.

QUESTIONER: Two questions about Syria. One, I appreciate your perspective and thoughts and how you might see Syria playing out over the next period of time. And secondly being out of office and looking back what things do you think the U.S. could have done or realistically should have done over the past few years?

MR. DONILON: On Syria or generally?

QUESTIONER: On Syria. (Laughter)

MR. THORNTON: We do have a limited time.

MR. DONILON: Okay.

MR. THORNTON: Just on Syria.

MR. DONILON: Yeah. The Syria situation obviously is, you know, is tragic, you know. I've been to Syria probably 25 or 30 times during the course of my career, you know, and it was -- and you've seen the history and tradition and culture of the place just devastated by the war. The war has multiple dimensions to it; it operates at different levels. It started out as a resistance to the Assad regime, it then developed into much more of a sectarian battle, it then evolved into a proxy battle between Shia and Sunni elements. And now you've got another dimension obviously which is I think from the United States perspective the most dangerous dimension which is the battle within the Sunni opposition to Assad, the most radical elements they're fighting with the

more modern elements frankly. So it's a complicated -- obviously a complicated situation and very dangerous. You know, you have -- the flow of foreign fighters into Syria right now I think is at a greater rate than the flow of foreign fighters into Iraq at the worst points in Iraq in 2006 to 2007. And that's a real challenge for us going forward. I think that, you know, our approach obviously has been to try to push toward a diplomatic resolution. Those efforts have failed to date and that would leave you to believe that this is going to go on for a while frankly and that you could see a -- one scenario is a kind of a cantonization or fracturing of the state. You have the possibility of some of these most radical groups finding operational space in Syria which would be of great concern to us and to other allies and partners. I think it calls on us to do a number of things. One is to continue to try to look for a political solution. Two is to provide assistance to the opposition and find better ways to do that. Three is to address the humanitarian situation which we're the biggest donor of but it continues to grow in all its dimensions. But it's a -- there's no magic bullet here. You know, now a lot of discussion about U.S. military activity with respect to Syria and I don't, you know, I don't -- I've not seen a military plan that I think is one that's workable frankly from the U.S. perspective. I mean not every problem in the world has the United States military solution and this has been, you know, kind of a, you know, situation where

you have the combatant intertwined with no clear battle lines. And it just is not -- I don't see really kind of a clean military plan. I do think it's important to deal with these chemical weapons and that's stalled a bit now. I think it's important to really try to succeed there. You know, in Libya for example we looked at the threat that Gaddafi had against the citizens, particularly the oppositionists in Eastern Libya and you could see on a map what a military plan would look like. And you could have and we did have a lot of support from around the world. You had NATO putting it together, you had support from the Arab countries and you had a military plan that was workable within a relative time frame. And you could see it in front of you. There's not such a military plan at least that I've seen with respect to Syria. With respect to looking back, you know, there'll be -- and I don't know frankly that there was a military solution to this from the outset frankly in terms of looking back. You know, are there better more effective ways to help the opposition? And I think we should look at that and see if we're doing all that we can.

QUESTIONER: How about the President saying Assad must go --

MR. DONILON: Yeah.

QUESTIONER: -- a while back and where do we stand today in terms of those negotiations and that pre condition?

MR. DONILON: Well, I think at the end of the day given everything that's happened it's hard to imagine that he would have the political result in Syria where Assad was still leading the government. So I think it's a practical matter --and I've made this point to the Russians a number of times -- as a practical matter you aren't going to have a political solution to the situation in Syria if Assad remains in Damascus as the head of the government. And particularly now given the, you know, spectacular amount of blood and tragedy that -- blood has been spilled and tragedy has happened in Syria. You know, how that happens in terms of a negotiation, what kind of time frames, what sequencing, kind of what you're asking about, you know, I think that all should be up for negotiation among the parties. But I don't think we're even close to being able to get that kind of discussion going at this point. But I think that, you know, that would be something you would talk about which is what is the sequencing, how do you run an interim government, how do you get the next stage there. You know, we went through this in -- in the presentation we initially gave to the Russians by the way was based on our experience in Yemen where you had an opposition group rise up against President Saleh. We entered into working with the Saudis, now this did a series of negotiations where he agreed over time to phase out. We didn't take down the elements, kind of the institutions of the Yemen state. His Vice

President Hadi actually became the president and entered into arrangements with the opposition. That was the idea that we had in Syria and we couldn't -- and the Russians would not buy it for a number of reasons. But they would -- and they were in real -- this was -- you know, our prediction then that in fact that they would have the most radical groups kind of take control of the fight is what happened.

MR. THORNTON: Phil Knight.

MR. KNIGHT: Yes. I have difficulty believing the Chinese are taking their response to the Trans Pacific Trade Pact quite as calmly as what I read your remarks to be. For a simplistic example we're giving favorable duty rates to Vietnamese products compared to theirs, you're building up Viet Nam at our expense. Are they not talking about retaliation or some kind of a more angry response than what you indicated?

MR. DONILON: I haven't -- you know, it's interesting, I haven't seen that, have you? I haven't seen that frankly

MR. KNIGHT: No, I just mean logically.

MR. DONILON: Yeah, but -- well, but here's the deal, it is a substantial leadership move by the United States and it's intended as such. It is intended as setting in place what a model set of trade relationships should look like, covering a range of issues from terrorist and non terrorist issues as well that have a high standard, high quality

agreement. It is going to involve, you know, 40 percent of GDP and a number of countries and then it's had a magnetic effect obviously. Now it's interesting, you know, when we started the discussions about TPP inside the administration a number of us were pushing it pretty hard and the main push back was that it wasn't going to be significant enough because initially it was only six or seven countries. And a number of my economic brethren said, you know, you're going to get us into these negotiations that take a lot of time. Is it really worth the candle? And our prediction was, which turned out to be true, that it had a magnetic effect and you would have Canada and Mexico join and ultimately Japan joining which has made it a very different trade negotiation in terms of obviously scale and importance in the world. But those are all the motivations behind it. It is kind of U.S. led. I think by the way actually that they're making significant progress towards resolution on most of the issues. Now we have an issue here in our trade promotion authority authorization which is a domestic issue. But nonetheless I think what it does is two things, it -- the Chinese I think then do see that this combined with the free trade agreement which we're beginning negotiations with Europe, see this really as kind of the way the world is going. And it would I think cause discussion inside China as to adjustments that they're going to have to make if they're going to participate in what looks like an emerging trade

regime in the world. And that's the -- I think that they're just kind of confronted with that reality and they, you know, can choose to make changes, right -- and by the way in China there's a -- and John knows better than I do -- you know, there is some history of Chinese reform being driven by external factors like this including by the way reforms in China being driven in a number of respects by their desire to be in the WTO. And I think in this case it could be -- it obviously provides I think Chinese reformers with some, you know, with important facts to present to their leadership. Now that may be a long way off to be able to meet the kind of standards that are going to be set in the TPP but I think that's more of the dynamic. You know, it's kind of -- it's a fact, you know, we're doing it, we're leading it, it's probably going to happen. It's also going to be reflected in the European space and these are going to be the rules of the road going forward and there would have to be adjustments by the Chinese going forward or at least recognition of that in their own practices. One would hope.

Now I'm sure that there are some elements in China, maybe a lot of elements in China who look at this as overall -- as I said the economic element of the rebalance and it provides more fodder for the argument that it's really about containment but in the first instance of course it isn't about containment. It's about us pursuing our interests and

kind of in a win-win way without partners and about U.S. leadership in terms of trying to put in place what we think is a high quality, high standard trade regime.

MR. THORNTON: Next questions. Let's see. Right here.

QUESTIONER: Hi. What did you think of Hillary Clinton's comments the other day comparing Putin's actions to Adolf Hitler's during the late 1930s?

MR. DONILON: Yeah, I didn't -- well, I didn't -- I haven't heard her whole set of remarks so I don't really want to comment on something I haven't really seen.

QUESTIONER: Well, she was basically saying that Putin's actions trying to help ethnic Russians in Crimea is similar to how Hitler helped Germans outside of Germany right as World War II started.

MR. DONILON: Okay. Well, I'd like to actually see her comments before I make a comment or comment on it. I have not seen her comments.

MR. THORNTON: Other questions? Ken Lieberthal.

MR. LIEBERTHAL: All right.

MR. DONILON: Are you -- what -- are you grading my presentation? (Laughter) Bader and Lieberthal are back there. They've got a little yellow pad, you know, C+, D- (laughter).

MR. LIEBERTHAL: Okay. I'll change the question I was going to ask. (Laughter) Seriously, Tom, you've stressed the importance of U.S. leadership on TPP.

MR. DONILON: Yeah.

MR. LIEBERTHAL: And I think we give the administration very high marks for building it up and making it a much more important item. How concerned are you about the potential impact on the rebalance strategy and on the U.S. position in Asia if we successfully negotiate a TPP and then the President is unable to get Congress to ratify it?

MR. DONILON: Well, it would be -- I'd be very, very concerned about it frankly. You know, the -- you have nations, 11 partners or so in Asia making tough choices including some that are going to be difficult domestically for each of the trading partners and it's important that the United States at the end of the day be able to get it done. I think -- as I said I think it's very important for the United States economic position. You know, we're looking for ways in which to try to add to our GDP, around the -- you know, from every source that we can. And it's really important from a leadership position. And so I think that there are powerful arguments for it and it's really essential that we get it done, Ken. I think that it would be a real blow clearly to U.S. global leadership for it not to. And indeed I think it's -- you know the President is

going to be in Tokyo on this trip in April. You know, I suggested it would be a good opportunity to have the TPP partners at the head of state level meet there frankly with him to talk about the way forward on the trade agreement. But I think it's a matter of not just good economics but it's a really key matter of U.S. leadership.

You know, to go the other issue of the Chinese reaction, the question that was asked earlier which is a good question, this is all about -- in some respects the rebalance is really about trying to build an order if you will in Asia or help to that will allow the continuation of economic and social development and security and peace in Asia. And so these are all pieces that fit together and it's the context for China's rise. And it just really is quite important that each of these elements get put in place. And the economic element is absolutely critical. But this is, you know, it's interesting, John, you asked what the Chinese talk about. You know, is this containment, is this all about security? And of course it's very important in these conversations to point out that that's only one aspect of it, that there are multiple aspects including economic aspects of it which are win-win for the region. And so it's really critical that I think, Ken, that we -- that the United States gets this done frankly. After engaging in this negotiation and exercising leadership that we've exercised on it I think it's important to get this done. And I think it's important also to get the trade --

the Atlantic piece done as well. To have the United States sitting in the middle, you know, of two of the most important trade negotiations in recent history which will inure to our benefit and demonstrated U.S. leadership, it's the next stage of integration in Europe, in the United States, and it's a really critical step for U.S. leadership in Asia. So I'm -- you know where I come from on it.

MR. THORNTON: Sir?

QUESTIONER: I'm just wondering if you could shed some light on Afghanistan and, you know, what you think the strategy should be. Should we keep a residual force, should we get out all the way and what do you think happens over the next -- you know, whenever -- let's say the end of this year, next year.

MR. DONILON: Yeah.

QUESTIONER: Post the election, post at least drawing down forces, do you think that current government will survive or has the capacity to survive obviously what is likely to be some kind of attempt by the Taliban to try and overthrow?

MR. DONILON: Yeah, two or three things. Number one the United States is on track to finish the current phase of its operations in Afghanistan and we'll have the withdrawal complete by December 31, 2014. Number two these elections are really important and, you know,

and I think that, you know, so far the reports are that they, you know, they're on track to be pulled off. Third then comes the question of a U.S. residual presence after December 31, 2014. I would be for a small U.S. presence in -- modest U.S. presence in Afghanistan after December 31, 2014. And that's not without controversy because it's expensive, but if -- the mission would be quite narrow and I think it worth doing. One is to kind of continue -- not to kind of but to continue training and assistance of the Afghan force that we built up and they'll be an Afghan force of over 350,000 people. And I think kind of continuing with our NATO allies and others to continue to engage in the training and support for that force for a while longer I think makes sense. And since we have continued kind of terrorism, national kind of terrorism, a concern that can be best dealt with if we have a force inside Afghanistan. Now these are not the only ways to do this, right. The United States has options if in fact we can't sign onto a bilateral security agreement with Afghanistan. But my impression is that most of the current candidates for president in Afghanistan have said publicly that they favor an ongoing arrangement with the United States.

Now that's important for a lot of other reason which I want to talk about for a second. If the United States isn't there, there are cascading effects. So the United States has a small force let's say of, you know, I don't want to get -- I think there's some reporters here so I don't to

talk about exact numbers -- but, you know, has a modest force. If it's not there means that you won't have Europeans and other NATO allies there because the United States provides essential enabling support if you will and they won't -- you can't -- I just don't think at the end of the day that the Germans and the Italians and others are going to be present around Afghanistan if they don't have the support of the United States with respect to medical support and intelligence and lift and the kind nitty-gritty stuff that you need to have our presence there number one.

Second, if the security forces leave then the aid organizations are going to leave. And so, you know, there was an extraordinary meeting, you know, in Tokyo a couple of years ago where there was a commitment made to Afghanistan by the world to put quite a bit of money into Afghanistan over a number of years to support a continued development. That's all at stake frankly which is why I think President Karzai's posture on this has been reckless frankly. Because I think this is all good for the Afghan people going forward and I think, you know, in U.S. interests as well. But I fear the cascading effects of there's no U.S. security, there's no NATO security, they leave, then the aid organizations will have to leave and then the non security assistance programs will go away and then you've really -- then you really do have stability issues there.

MR. THORNTON: I'm going to take two more questions. Right here, Paul.

QUESTIONER: Yes, I guess the topic was rebalancing Asia and we've been all over the world so why not continue. Given the circumstances on what's happening in Venezuela today is this an opportunity for us to rebalance our relationship with Latin America and review and reengage Cuba and begin to -- the process of rebalancing all of the losses that we've had in previous years with Ecuador and including Brazil that is doing a lot of business with China much more so than with the United States.

MR. THORNTON: Yeah.

QUESTIONER: So is this an opportunity now and what should we be doing?

MR. DONILON: Yes. I think it is and that the -- I think it's a really good point. The United States has a -- the way I think about it has a very good base if you will in the world now. If you look at, you know, from Canada, the United States, Mexico and Latin America in terms of its economic direction, in terms of its energy direction, we have a really good and solid base that we can operate from in the world. And so I do think it's important for us to look to deepen these ties and I do think what you're seeing in Venezuela kind of points to that. You know, you've got -- if you

look at the -- you know, people here do a lot more work on this than I do -- but if you look at economic growth curves for the Venezuelas of the world, right, you know, versus members say to the Pacific alliance in Latin American, you know, it's just a dramatically different story. And it's an opportunity for the United States I think to join with those countries that have been successful as models and to I think take this opportunity to deepen our economic relationships, to look at some of the practical things that we can do in terms of economic relationships. I would look for a formal relationship with the pacific alliance for example going forward. Vice President Biden, you know, has been working on this as an important project of his and I would encourage him to kind of stay on it. So I think there are opportunities frankly.

MR. THORNTON: Okay. Final question. Right here.

QUESTIONER: Yes, thanks. A question related to your just passing comment on energy and link to Ukraine. As part of this deal that was announced this week it was suggested by some U.S. officials that the U.S. would help Ukraine reduce its dependence on Russian gas imports. I'm interested in your views as to what that would look like in practice and more broadly are we entering a new era of U.S. energy diplomacy where the U.S. can use its newfound energy resources to help advance its foreign policy objectives?

MR. DONILON: I think it's a really good question and I'll tell you the following things about it. One is that when the Obama administration came into office we were told for example with respect to natural gas that we need to import twice as much as we were importing at that time and we were given a lot of other predictions. Almost every one of these predictions turned out to be wrong. And indeed the energy picture that we thought we were facing in 2007-2008 has really been kind of flipped on its head. Number two is, you know, everybody here I think, you know, knows the facts now that we're, you know, we're soon to be the largest producer of oil in the world and we already are the largest producer of natural gas in the world and we're by the far the cheapest -- have the cheapest natural gas in the world right now. Next I think, third, is that I think we're just beginning to understand the geopolitical aspects of this. You know, there's been a lot of work done on the economical aspects of and there's some debate about the scale of economic impact but I think everybody agrees it's all for the good in terms of increased economic activity, lower costs for U.S. consumers, making manufacturing more efficient and effective in the United States, make us more of a magnet for manufacturing, particularly gas intensive industries. And that's all for the good for the U.S.

Next though is on the diplomatic side, what are the impacts?

And again I think we're just wrestling with this. We've already seen some and I think that they're two or three fold. Number is one is it gives the United States more room for maneuver, first point. And the example of that of course is Iran. You know, we've put in place these very intensive sanctions again Iran and you can imagine the discussions we had when we were doing this because the key sanctions were aimed at trying to reduce Iran's ability to sell its oil in the world. And indeed we reduced it by half. Now when we were having these discussions of course we would have -- we would ask ourselves and again my economic colleagues would come in and say well, what the -- let's think about this. We're in an economic downturn, tight markets, what is the impact going to be on the Untied States? And we were able to do an analysis and go ahead with respect to those sanctions which again reduced the Iranian exports by half because we had increased our own production by a million barrels a day. And it really did give us that maneuver to be able to go and do the Iranian sanctions. That's first. Second is, I do think there are opportunities for the United States to assist its allies and partners around the world in terms of energy supply. We're already having an impact, right. I mean to the extent that gutter and other suppliers don't send gas to the United States, right, that's additional supply and diversification of supply for Europe and elsewhere in the world. And I think that' already having an impact.

With respect to Europe specifically that's a longer term project but I think one that's absolutely worth pursuing. As I said we're already having an impact in terms of diversification and quantity of supply. And I do think -- and we've gotten some approval from the United States for export of natural gas. I am -- I'm obviously you can tell for that and I think - -and if you travel around the world you'll see in Asia, Japan, India and Europe allies and partners looking for additional supply from the United States and I think we should look to doing that supply frankly going forward. In Europe it will take a while because you have to build the facilities, you have to look at the cost, the differentials between pipeline provided gas and gas that's shipped. And I think that Europe should also look at its -- we should look at sharing technology with respect to fracking. And they can look to additional sources in Europe. I think -- and over time if you can globalize the gas market you can break what was really tough in Europe with these contracts tied to oil prices, long term contracts. And over time those contract will fall off. I think we can have additional supply and the United States can play I think an important role in diversifying and helping our allies and friends around the world. I also think the United States by the way should look at lifting the ban on oil exports given our level of production.

So that's a long answer to your question -- is I think that in

fact this is all positive for the United States and it provides us with more diplomatic room for maneuver in the case of Iran for example when we're trying to put sanctions on. And I think it provides us with more opportunities to work with partners and friends around the world including a country like Ukraine but Europe generally with respect to gas supplies over the long haul. And it's a real, you know, that's a real circumstance for gas problem and the Russian suppliers to have to confront frankly. So I would do all of the above there and I think it's all available to the United States frankly. Now it involves us having good regulatory regimes here so that we continue our shale gas process, it involves, you know, obviously doing this in a sensible way, but I would look to accelerating it on the natural gas export side and I would to look to reconsideration of the oil import ban as a way for the United States to be a supplier and again to work with allies and partners around the world more directly on these things.

MR. THORNTON: Okay. I neglected when I introduced you earlier to thank you for your contribution to the nation. And we thank you very, very much for this very interesting and clear and I think sensible and balanced discussion today. And thanks for your contributions.

MR. DONILON: Thanks everybody.

(Applause)

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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.

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