

THE BROOKINGS INSTITUTION

OBAMA GOES TO ASIA:
UNDERSTANDING THE PRESIDENT'S TRIP

Washington, D.C.

Friday, November 6, 2009

PARTICIPANTS:

Introduction:

RICHARD BUSH
Senior Fellow and Director
The Brookings Institution

Keynote Address:

JEFFREY BADER
Special Assistant to the President
National Security Council

* * * * *

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 friend Strobe Talbott, Richard Bush, Ken Lieberthal, and Chung Lee. 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, Chung Lee 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 occasions.

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 out his willingness 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 it's 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 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.

* * * * *

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

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012