

# **CENTER FOR AMERICAN PROGRESS**

## **LEADING THE CHARGE OR CHARGING THE LEADER?**

**INTRODUCTION:  
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JOHN PODESTA: Good morning, everyone. I'm John Podesta and as we begin our program this morning, my colleagues and I at CAP want to note the pain in America's heart caused by tragic events at Fort Hood. And we want to acknowledge the extraordinary contribution and service of the men and women in the armed services of the United States, their families and the career civilians who support them. Our prayers and thoughts are with the victims and their families at this difficult time.

We very much appreciate that our good friend Jim Steinberg, the deputy secretary of State, being with us today, and hearing his thoughts on the state of U.S.-China relations in advance of President Obama's trip to Asia. And I want to recognize the outstanding contributions of our own Nina Hachigian, a senior fellow here at the Center for American Progress, on providing a new perspective and framework through which to view U.S.-China engagement. Nina and I actually got to know each other through a common experience. Nina was Jim's special assistant when he was President Clinton's deputy national security adviser, and I was the White House chief of staff, and we both took orders from Jim. (Chuckles.) So that's how we bonded and formed a long-standing relationship.

I'll just say a few words, then I'm going to turn things over to Nina, who along with Winny Chen and Christopher Beddor, authored the report CAP is releasing today, analyzing China's engagement in the international system. I spent several days in Beijing earlier this fall with a number of our colleagues and met with senior government officials to discuss a range of pressing global issues. It was clear from our discussions that the Chinese government had become vastly more sophisticated in the way it engages with other countries than even a short time ago.

And never before has a nation like China emerged as a pivotal power during an era like today's, in which international institutions touch so many areas of global interaction. As the threats to national security become increasingly complex, we no longer look only to NATO, or the U.N. Security Council or other security structures, but increasingly to institutions like the WHO and the IAEA, which are becoming more and more critical to security and prosperity for us here in the United States and for people around the globe.

The United States has long been a leader in developing this complex network of institutions that help countries to cooperate in the face of transnational challenges. Now, as President Obama prepares for his trip to Beijing, CAP's new report shines a lot on how China is engaging with the international system as its weight in the world increases.

Nina's paper charts the evolution of China's approach to an engagement in four key transnational challenges: pandemic disease, climate change, global economics and nuclear proliferation. It finds that China has rapidly scaled up its involvement in international institutions and is increasingly playing by global rules. And it has come a long way quickly. Just to take one example – I'm sure you all recall the reaction the Chinese government had to the

SARS crisis in 2003. Beijing launched a full-scale cover-up, obstructed WHO access and clamped down hard on media reporting about the disease. Although the capacity of China's public health infrastructure is still constrained, we saw a very different reaction to outbreak of avian influenza 2 years ago and H1N1 this year. Largely a responsible one, which if anything, may have even been too aggressive.

But as the paper points out, although China is becoming a more reliable and responsible player in the international community on several key global challenges, it's far from being a consistently forward-thinking leader. Although the quantity of China's engagement has grown rapidly, the quality sometimes lags. Given China's enormous cash reserves, talented workforce, vast set of global contacts and sophisticated leaders, it has a much greater capacity than most nations to act in the common good. It is far from certain that Beijing will move completely in that direction, but it is critical that the U.S. policy be aligned to encourage that outcome.

So let me stop there and turn things over to Nina, but first I'd like to thank you all once again for coming, and I'd especially like to thank Secretary Steinberg for sharing his perspective with us this morning. Nina and Jim, come to the stage.

NINA HACHIGIAN: Thank you, John, and – can everyone hear me? Thanks, John, and welcome to all of you. I first met Jim – Secretary Steinberg – about 10 years ago, now, as John said, when I had the great opportunity to work for him when he was the deputy national security adviser to President Clinton. After that critical and frenetic position he went to the Brookings Institution, where he served as the vice president for foreign policy studies. And then after that, in 2006, the University of Texas scooped him up to become the dean of the LBJ School of Public Affairs. And earlier, before he was at the National Security Council, he was – again – at State, as he is today. And he was there, then, directory of policy planning and also Warren Christopher's chief of staff.

And I was actually just remembering, Jim, that we did some meetings together in China in 2001 to learn more about e-government. And we went to this one fairly small city by Chinese standards, called Nanhai. And when we got to the government building, they had this huge banner plastered on the side that said, welcome to Jim Steinberg and his delegation. And that was me – (inaudible, laughter) – the delegation. But that's a role that I will always gladly, gladly play, because I really believe that Jim is one of the best policy minds that this country has, and I think I would even venture to say that the world has. And he connects that brilliance with this incredible reserve for energy for actually getting things done and making change happen on the ground.

So this is a big thrill for me, both personally and professionally. And I'm a huge fan of your brain and the chance to get – and other things, too – but especially your brain. So the idea is the chance to get to ask you questions that I've been pondering is a great, great thrill. So I feel like this is a continuation of various conversations we've had over the years, and we just invited a few friends to join us this time. So anyway, thank you for coming. We're very grateful to you.

So let's dive right in. I want to start with a few vague picture questions and then we can get into the more specific issues. So first, let's just talk about the framework in the Obama

administration for U.S.-China relations. And I'm wondering whether changes in China and world, even in the United States necessitates a new kind of approach. One thing that I've noticed is more emphasis on the idea of solving global problems together through the international system. And you've also recently spoken about strategic reassurance. And so I'm wondering if you'll give us the broader framework, as you see it, for U.S.-China relations and then tell us how strategic reassurance fits into that, and whether you think that will be a theme for the president's trip. And we can talk more about specifics of the trip later.

JAMES STEINBERG: Thanks, and first let me just echo John's points about the terrible tragedy at Fort Hood. All our hearts are very heavy as a result of this. These are heroic Americans who are serving their country, and our thoughts are all with their families. I appreciate John's words on that.

I think it's important to think about our strategy towards China as part of a broader strategy that President Obama is bringing to the national security strategy of the United States. I think what he has made very clear – both as a candidate and now as president – is that the fundamental challenge for the United States is on most of the big problems that we face. The United States, no matter how much effort we put in, we simply cannot solve these problems by ourselves. The inherent nature of these transnational problems require enhanced global cooperation, and so we have to think hard about how do we generate the kind of cooperation that we need to deal with problems ranging from climate change to pandemic disease – all the things that you talked about in your report.

Now, there are lots of elements to that. Some of it is strengthening international institutions, some of it is strengthening our traditional alliances and partnerships like NATO or bilateral relationships with Japan, but we obviously need to bring to the table all the countries that can make a significant contribution in addressing these questions. And as China becomes more successful and more engaged in the world, China has the potential of being a critical player – you call it a pivotal power – but clearly a vital player in dealing with all these challenges.

It's not that we can't do anything without China, but we clearly – if China is willing to cooperate, then we can do a lot better. And over time, if China's successful, it can be an even more effective partner in dealing with these issues. So in terms of this challenge of global cooperation, it's in our interest to have capable countries that are willing to work with us. And so our strategy towards China is to engage with China in a way that seeks to enhance the prospects of cooperation, understanding that the two of us can't do it alone either. But if we can find common ground, that can be a powerful impetus to getting greater cooperation.

So in that sense, we want to encourage China to become more involved, become active, to play a larger global role, but at the same time, we want it to be clear that as China casts a larger voice and influence on the global stage, it needs to do it in a way that demonstrates to the rest of the world – not just to the United States – that it's using this growing power and influence in a positive and cooperative way. And whether you call it reassurance or whatever the term you use for it, the goal here is to make sure that we find a way, on the one hand, to give China an appropriate role in helping to develop the rules and the institutions that allow for global

cooperation, but also do it in a way that recognizes that it's going to do it not at the expense of others, but in a way that takes into account the interests of others.

MS. HACHIGIAN: Okay. That actually gets right into the next question, which is – that the occasion of the event, as John mentioned, other than – in addition to the president's upcoming trip – is the release of this report that Winny Chen and I have been working on. And what I found was that the degree to which China is engaged in the international system is pretty remarkable. It was even quite beyond what I thought. So on all these four transnational threats that we looked at, China is very much there, showing up, diplomats are very impressive, they're engaging seriously. And yet there were not many issues on which you could say that China was really proactive about trying to solve a global challenge or strengthen the system.

Two important exceptions to that being their efforts on the North Korean nuclear crisis and their efforts now with the flu. So I'm wondering now – so reassurance, I understand your point, is part of it, but what else or is that the extent of it? What else can the United States do to try to encourage China to play more of an active role? Where is our leverage? And do we want to see Chinese leadership on all issues, or maybe not necessarily on all issues?

MR. STEINBERG: Well, as you described, but I think it's really important to recall to ourselves what the trajectory is here. Back when we – in the Clinton administration, when John and I were working together – it was a heavy lift to convince the Chinese that they even were really part of these institutions. Their basic view was, we've got our own problems; we're focused on our own development; we can't look beyond our narrow interests here; we're really not part of the system.

And over time – over the last 15 years, I'd say – there's been a sea change in the Chinese attitude, and a recognition that China not only can't stand apart from these international institutions and these global efforts, but actually has a huge stake in them, and begins to participate. And you can look at a variety of watersheds. I think the area of China's (growing ?) involvement in arms control and non-proliferation issues is one where you can see that trajectory. I think on the international economic stuff and its decision to join the WTO is another dramatic instance of Chinese recognition that it not only has a stake in these institutions, but it actually benefits from participating in them.

So I think we should not overly impatient in terms of the evolution of Chinese thinking. It has been a relatively short period of time where this engagement took place at all. And I think the second bit of evolution that's taking place in the Chinese thinking is that they, in the past, tended to want to see themselves as identified with the so-called G-77, the largest developing country, and not really part of the management of the system, and one in which the group of countries felt that the rest of the world ought to be attentive to their needs, but that they were not part of shaping the system.

And you hear less and less of that now from the Chinese. There is more of a recognition that while they are a developing country in terms of their overall economic development, the average GDP per capita, nonetheless, they no longer hide behind the notion of we're just one of

those small, developing countries; we can't really take responsibility. So I think in that sense, we've seen so much evolution that we should not expect this to all happen overnight.

I think that what we would hope to see is – as you say – a more proactive sense of taking responsibility and not simply benefiting from the international system at all – these international rules and institutions that make our economy and political system work, but rather a sense of really being supportive of the norms and rules, helping in their enforcement, helping in their elaboration. And I think it's a slow process to see it. I think inevitably the two go together, which is that if you want China to be effectively enforcing and supporting the norms and rules, China is going to obviously feel that it has to have a voice in the setting. And I think that was an argument that we made back at the end of the Clinton administration, in terms of China's joining the WTO, was that they could have a stronger voice in setting the rules if it became part of the institution.

And I think we'll have to accept the fact that they will want to have some voice. But there is – I mean, China has had its early opportunities because it's been a member of the Security Council for a long time, to be part of that system. And over time, I think that the benefits of having China supporting, enforcing and getting other to live up to the rules is worth the price in terms of having yet another country at the table that's having a voice. And I think there are couple of reasons to feel comfortable about this.

One – this is part an evolution that doesn't just involve China. Although you focus very much China, in fact, we have to see this part of the global readjustment. So as we think about China perhaps having a more influential voice, it's not just China. It's also going to be the other major emerging economies – you've written about them: India, Brazil, South Africa. And so it's not as if it's just China that's going to be shaping the decisions. There will be a more diverse group of countries, which, on the one hand, pose as problems because the number is larger, but on the other hand, it will make it more plural, the voices there. So it's not just adding China's voice, but it's adding a number of different voices and countries that we can work with, many of whom, because they're democracies – like India, Brazil and South Africa – are also natural partners for us. So I think in that sense, we should be somewhat more comfortable about China having a voice in the system.

And then I think the other thing – as I say – is that we do need China to have a stronger commitment to enforcing the rules, and that – we see this particular on the nonproliferation front right now, and in our dealings with North Korea and Iran. And so because we need to them to be more active in pushing for compliance, we do need them to feel like they have a seat at the table.

MS. HACHIGIAN: So not just getting their own house in order, but helping to enforce the rules when others transgress.

Well, let's talk about climate as a particular case. A couple of things that you said made me think. One is, some people would argue that in climate, China is still trying, to some degree, to align itself with the G-77, and I was also thinking about strategic reassurance in the climate context, and the sense that there's many in the U.S. who don't believe that China is serious

enough about reducing its emissions, and many in China who feel very much the same way about us in the United States.

So what do you see is the best role that the bilateral relationship can play in the context of this global effort to come up with a new climate change regime? We, at CAP, have been pushing for quite a long time by our standards – it's only a 5-year-old think tank – on clean energy cooperation between the U.S. and China. We released a new report a couple of days ago at the Asia Society about the specific roadmap for carbon capture sequestration. But so, do you see that as the right road? Or are there other roads? I mean, how do you see the bilateral relationship in the context of climate and global warming?

MR. STEINBERG: Well, I mean, the starting point is the obvious one, which is the United States and China are the two largest emitters of greenhouse gases, and there will be no solution to the global problem of climate change without the United States and China being part of the solution. That's one of the most dramatic examples of why we need to work together on this. I think our overall approach is both top-down and bottom-up. On the top-down side, if we're going to reach an international arrangement for addressing climate change and GHGs, we need a framework that accommodates and includes the major actors.

So we need to work with China as one of the key developing countries to figure out how developing countries fit into this. We recognize inherently that developing countries face a different challenge. We're looking at reductions, and for developed countries, reductions are achievable, given where we are in our overall economic growth. We're at a point where we can debate what level of productions, at what speed. But I don't think anybody disputes that we can begin the process of reducing, in absolute terms, our emissions.

We also recognize for developing countries, that because they are at stages of development, absolute reductions, particularly in the near term, are unrealistic, but that there are steps that they can take to contribute to that by deflecting or changing the trajectory of the way they grow to be more climate-friendly, to be less dependent on fossil fuels, to be more effective in reducing greenhouse gas emissions. So we need a framework that accommodates that challenge, which is how do you deal with both development and climate change.

And so we need to work with China, as with India and other developing countries, on a top-down approach. What are the basic concepts that we should embody in an agreement that reflects the famous comment that differentiated obligations of developing and developed countries. And China's not the only one. We have a very intense dialogue with India and other critical countries. But China obviously needs to be a part of that top-down solution. What's the framework? What's the overall approach?

At the same time, we very much agree with what you, and John and others have been talking about, which is that at the end of the day, you can have these targets, you can have these frameworks, but you get there by doing real things. And the real things that you do are changing the way that you generate electricity, that you build homes, that you design cars, and that if we can work together from the bottom up to develop strategies for carbon-capturing sequestration,

develop strategies for electric vehicles, develop strategies for smart cities, smart grids and the like; those are the tools that you need to actually achieve these broader, macro goals.

We've already taken a lot of steps bilaterally. Secretary Chu has reached agreements with his counterparts and these will be both elements of this, both the top-down, what's the overall approach, and what can we do bilaterally in terms of energy research and development, collaborative projects at the like, will be very much at the center of the president's visit to China. And it has been a critical part of the discussion that the president has had with President Hu from the beginning, including very important discussions they had on this topic in New York.

MS. HACHIGIAN: Great. We'll ask you about the trip in just a second, but before that, because of your ability to see the big picture so well, I want to ask you about how Americans should think about Tibet and Xinjiang. In both cases, you have this complex mixture of ethnic tension, of oppression of the local culture, elements of a security threat, but overreaction by Beijing in many cases. So how should Americans who want better for Tibetans and Uighurs in Xinjiang think about the problems and about what the U.S. role should be in them?

And related, there is this kerfuffle around President Obama's decision not to meet with the Dalai Lama when he came to visit here in Obama. So I'm wondering, is that an example where what seems like the right and righteous thing to do, which is to meet the Dalai Lama at the earliest possible opportunity? Is it necessarily the best thing for Tibetans and in general, when it comes to human rights – you've served in many administrations now who have tried different approaches about the human rights in China. What do you think is the most effective?

MR. STEINBERG: That's a great question. There's a lot of difficult questions. I think the starting point – there are two colors to the overall approach, which is one – we recognize the sovereignty and territorial integrity of China. We're not for splitting off parts, but at the same time, we think that China has an obligation under the U.N. Charter, under the agreements that it's signed and in its own interest to address and provide legitimate space for the freedom of expression, religious practice and the like, of its constituent peoples.

The Chinese are very proud, and rightly proud of the fact that it is a very plural society. We think of it as being somewhat monolithic, but in fact, you go the Hall of Peoples, and you see that China's own history has been – they accept and promote the fact that it has many ethnic minorities and diverse peoples within the country. So in that sense, we're both plural societies, multicultural societies, and to reflect that, there really has to be space for those, and in order for China to deal successfully with having this plural society, it has to find a way to accommodate the legitimate interests.

So we've said that we would not support any kind of separatist movements, but at the same time, we think – for those like the Dalai Lama, who have explicitly said they don't seek to split china – that it's critical for China to engage in dialogue and try to be responsive to the legitimate concerns of its people. And so that's our strategy, which is to try to promote, on the one hand, to make clear that we don't have ulterior motives in our support for greater freedom of expression and opportunity to have their independent culture and religion and the like, whether it's Muslims in Western China or Tibetans.



But the condition of our support, to some extent, is associated with the fact that we think China should engage in dialogue, and so our strategy has been to make clear that that's what we seek, and that we think it's important for China, if it wants the rest of the world to be respectful of its legitimate claims – the sovereignty and independence – for it to be responsive to the legitimate claims of its own people for dialogue. And that's how we approach it.

And that's where we – in our conversations with the Chinese government, we emphasized the importance of dialogue with responsive elements, among which we include the Dalai Lama, because we really believe that his intentions are not separatist.

And in terms of how we decide who we engage with and how we engage – to be clear, because a lot of reporting gets done about these things – as we've talked to the Tibetan leadership, we had a discussion about what would be the best way for us to engage both in terms of meetings with the representatives of his holiness and his holiness himself, and how to promote dialogue.

And we reached a common understanding after discussing this with them, that we thought that the best way that we could promote this is to focus on trying to promote their dialogue. And that's something that will continue to do.

And each time decisions come about, what we do and when we do it, it's all with a goal to what's the best way to promote the responsible respect for the interests of the Tibetan people and the Tibetan religion. At different times, and depending on how the Chinese leadership responds, we'll adjust our policy accordingly.

MS. HACHIGIAN: Thanks. All right, so let's talk a little bit now about the trip. Why don't you tell us what you can about what to expect from the trip next week? He's going to make several stops but perhaps, let's focus on China and on the multilateral institutions.

So he's going to go to APEC and I'm wondering if you're going to have a different approach for APEC than your predecessors. And he's going to be the first president ever to go to ASEAN, which I think is terrific.

And then in China, as well, what sort of deliverables – you've mentioned climate but are there others that we can expect? And what themes, overall, do you hope or think might emerge?

MR. STEINBERG: Well, I think, first just, again, to give a little context. One of the things that I think we have tried to emphasize from the beginning of this administration is the centrality of East Asia and Asia as part of our own national strategy.

As you know, the secretary of state's first trip abroad was to East Asia. And we've had an extended series of engagements. Secretary Gates has been out there – a number of other senior officials have been out there – and the secretary went to the ASEAN Regional Forum meeting in Bangkok this summer.

So we really see this – our engagement with East Asia – to be critical to our own future, and we also see supporting the integration of East Asia and ourselves as part of that as critical to the success of East Asia; that we think that bringing the countries together; finding enhanced ways to cooperate – is profoundly in our interest, and will contribute to both prosperity and stability throughout the region.

So that's going to be a big emphasis of the president's trip. He will be visiting our traditional allies –he'll start in Tokyo and he'll end up in Seoul. And at the same time, looking at ways to foster this idea of deeper regional integration.

APEC is a tremendously valuable piece of that. The United States has a strong connection to that. President Clinton was the first one to elevate APEC to a leaders' meeting. And it is an opportunity for all the leaders of the region to get together with a particular focus on the economic issues. And this is a very critical time to be focusing on the economic issues.

We just had, I think, a very successful and important meeting of the G-20 in Pittsburgh, but it's critical – inevitably, any organization like the G-20 can't have everybody in it. And so this is an opportunity to take some of the concerns and issues that we addressed on a global issue among the G-20 to have it reinforced in a regional context.

And so a lot of what you'll hear, I think, coming out of APEC is sort of the regional dimension of some of the themes that were reinforced at the G-20, and particularly the need for balanced growth as an overall strategy.

This is a region that depends heavily on having a dynamic and open trading system. It needs balanced growth; it needs all the countries of the region to do their part. And bringing this into a regional context, I think, is really critical going forward – both on the trade and investment side and in terms of coordination of macroeconomic policy. So that will be an important theme.

A second important theme will be dealing with some of the sectoral (ph) issues, which APEC can make a contribution because they have a strong regional dimension – like energy, where there are obviously global dimensions but there are strong dimensions of regional cooperation on energy both from a climate and an energy security perspective that APEC is an attractive forum for countries to coordinate.

Another area that we're going to talk about, I think, at APEC is food security, another area where the countries of the region cooperate, as well as the kind of traditional business of APEC – trade facilitation: How do we bring down the barriers in the region and keep this an open and dynamic region?

With ASEAN, this is a – as you say, it's the first real summit between a U.S. president and ASEAN. It comes on the heels of the decision of the United States to adhere to the Treaty of Amity and Cooperation with ASEAN, which builds a very strong tie with us and our own engagement in the ASEAN institutions, including the appointment of a full-time ambassador to ASEAN, which, again, sort of reflects our own belief in both the importance of ASEAN as a stabilizing force and an integrating force in East Asia, and our desire to be involved with those

institutions. So this element of regional integration, I think will be very front-and-center throughout the trip.

Then, as the president goes to China, I do think climate and energy will be enormously important for the reasons that we discussed. There really is an opportunity to advance practical cooperation on the climate and energy agenda, which will benefit both countries, create jobs and deal with these crucial issues of energy security and climate.

We have obviously a rich agenda on a full range of issue. Be sure that we'll be talking about security in Northeast Asia, including where we are with North Korea, on the other great issue of proliferation concern, Iran, but also how we can cooperate in some of the issues of our time, and how we take this – build on this increasingly deepened relationship, like we saw here in Washington at the Strategic and Economic Dialogue, to really understand the ways in which, in a much more intense way across the board, our two countries are cooperating together.

MS. HACHIGIAN: Thank you. I think I have time for about two more questions, and then I'm going to open it up. So think of your questions now.

One or two – so you mentioned Iran. Do you see any movement in how China sees its position with regard to Iran? I mean, it's a really marked contrast from its diplomacy around North Korea, which is very engaged and helpful and we – at least from the outside – just don't see the same thing when it comes to Iran. And as you know, its companies continue to strike billion-dollar deals with the regime.

And yet, China obviously has a long-term interest in a stable Middle East. So do you see any hope that China will come around on this issue? And do we need them to, or can we strike a deal with Iran, you know, without their great help?

MR. STEINBERG: Well, we certainly would like them to. And I think that we believe profoundly this is in China's interest as well as the U.S.'s interest. The Chinese are very clear on a declaratory level that they are opposed to Iran developing a nuclear weapons capability. They have voted with us in the past in the Security Council for measures, sanctions, against Iran. So under the right state of circumstances, we've seen China respond.

In general, we know that China, like some other countries, tends to be very reluctant to go down the sanctions route, but we have to make clear – and I think we have made clear – that we are pursuing a dual-track approach; that we are prepared to engage and have demonstrated very clearly that we are prepared to engage and seek a diplomatic solution.

And we hope that as China sees the seriousness with which we've pursued diplomacy, that if Iran declines to take advantage of this opportunity, that that may make it easier for China to see the necessity of going down the other ways. They continue to counsel that we pursue this diplomatic track as vigorously as we can, but I think our efforts really demonstrate that we have, and a lot of creativity in that diplomacy.

So I think we recognize that we're not going to get China to make a decision to take tougher measures until it feels that the other track has been exhausted, but we're not pushing for those decisions until we, ourselves, believe that we can't make progress in a timely way on the other track.

But it's also true that we can't wait forever; that Iran's program continues to move forward; they continue to enrich uranium. And the president and secretary have made clear that this is something that – we can pursue diplomacy but not indefinitely, and that Iran has an opportunity but we can't expect, if there's no responsiveness, that we're going to go on forever.

So there's a critical set of discussions. China has been deeply involved in the P5-plus-1; that's an example of China being involved in this kind of international effort. We've welcomed their engagement. But I think, again, part of the price of admission is the willingness, if you're going to be part of this, to draw the necessary conclusions if Iran doesn't take the steps that are needed.

So we'll see where we are in a week's time. We're obviously waiting for a definitive response from Iran on the question that we've proposed for this arrangement – for providing fuel for the Tehran research reactor – and depending on where we are, that's obviously going to be an important subject of discussion between the two presidents.

MS. HACHIGIAN: Great. Well, I could ask you questions all day long. I'm going to ask one more, which is about – you mentioned balanced growth. And China has taken some steps recently to move to sort of a more domestic-led model, which is, you know, greatly helpful to us and to the, you know, the world economy overall. But what kinds of more specific steps would the United States like to see China take, and that President Obama might be putting to President Hu?

MR. STEINBERG: Well, I don't want to predict the specifics that the president will say, but obviously, the issue of balanced growth has been a subject of discussion in all of their meetings; from their first meeting in April in London and in part because a lot of these meetings have been around the G-20.

And clearly, we believe – and we're not the only ones who believe – that global balanced growth is critical and China has a critical role to play. The domestic consumption in China is critical to its own long-term stability and to the successful restoration of global economic growth.

I think that we've seen some signs from the stimulus package but they don't really reflect, I think, the deep structural readjustment that we all believe is necessary to be successful in the long term. And what I mean by deep structural adjustment is both to address some of the policies that they pursue that artificially promote exports, in terms of export promotion and the like, and their overall approach to macroeconomic policy.

And then also, the structural questions in terms of how the domestic economy is run, both in terms of opening up to foreign investment and private investment to stimulate activity within China, to building a stronger social safety net that will encourage greater domestic spending.

I mean, there's a fundamental problem when your people are saving 30, 40, 50 percent of their incomes about how much domestic growth you can get. And one of the barriers to that, we think, is in the factor of a social safety net, a strong health-care system, pensions and the like, that would make Chinese consumers more confident to behave and to make the kind of consumption society that's necessary to sustain growth globally.

So I think that there are signs in terms of general recognition that the Chinese understand this issue, but we really do need to see the kind of steps that would really reflect that structural change that would really help restore these imbalances.

MS. HACHIGIAN: Thanks. Okay, so I'm going to open it up to your questions now, and I think we will – so wait for the microphone and then please introduce yourself. And we will start with our friends from the media if anyone has questions.

Q: Hi, Mr. Secretary. (Inaudible) – Zan with CTiTV of Taiwan. I've asked the question before; I want to let you know that I'm not asking about any policy change towards Taiwan, but the closer cooperation between the United States and China, will it have any impact on the way that you actually implement the Taiwan policy?

For instance, arms sales – we know our administration officials have been saying that you will abide by the Taiwan Relations Act, and will continue to provide Taiwan with defensive weapons. But the sales, the proposed sales, of the F-16 C/Ds have been postponed again and again.

My question is, will the growing cooperation between the United States and China, and the rise of China, have any impact on the way that you implement the Taiwan policy, and will it have any impact on arms sales?

MR. STEINBERG: Let me make – first, the United States welcomes the improved relations, the cross-strait relations. I think it's a very positive development and they clearly are in the interests of both the PRC and Taiwan, and it's a very positive development, which we encourage. These are largely issues that are being pursued between the two governments, but it's one that we welcome, and we encourage it as much as possible – reducing tensions, dialogue, closer economic cooperation are all to the good, and it's a trajectory that we hope to see continue.

Our commitment to Taiwan is very clear under the Taiwan Relations Act and we will continue to respect it. That means that we are committed to appropriate arms sales to meet Taiwan's security needs. And there's no question that Beijing doesn't like that but it is no question that that is our responsibility. And it's not just because of the TRA – although we obviously have a legal obligation under the TRA – but we actually think it's the right thing to do;

that we think that this is a set of policies that appropriate defensive security support for Taiwan and contributes to security across the strait.

So we will continue. Each sale has to be evaluated in terms of the specific needs of Taiwan and we take that responsibility very seriously, and we'll continue to proceed on that basis.

MS. HACHIGIAN: Thank you.

Q: Mr. Secretary, Bill Jones from the IR. I'd like to ask you about the possibility of space cooperation with China. There've been a number of visits recently; some of the U.S. astronauts were over there talking to the Chinese astronauts. There's been discussion over the years – even way back in the Clinton administration – on the possibilities of cooperating in space.

We did it with the Soviet Union during some of the worst times of the Cold War, and since the program itself is of such prestige for China itself, it would seem that this would be an important area in which cooperation with the leading space power – which is still the United States – would be an important marker in the relationship and would help to cement some of the ties.

MR. STEINBERG: I think it is something that we're prepared to discuss. I think that particularly if we can find a way to look at genuinely civilian space cooperation, it's something that both sides are prepared to have some discussions about.

Now, obviously, we need to be very sensitive to the potential connection between civilian and military space programs, and we want to understand better about what the Chinese might have in mind in terms of cooperation, and what might be possible on our side. We have a very – on our side, you know, it's very clear where the civilian side of the program is. But I think it is something that's an appropriate subject of conversation between the two countries.

Q: Thank you. (Inaudible) – with China press. I just want to know, did you consult with other departments within the Obama administration when you proposed the concepts of strategic reassurance? And what's the difference between strategic reassurance and a stakeholder? And if China asks the United States to stop arms sales to Taiwan or stop the surveillance activities nearby the South China Sea or East China Sea, do you think it's the kinds of strategic reassurance? Thank you.

MR. STEINBERG: I spend all my time talking to my colleagues in the interagency process. I think the issue that I tried to highlight in my speech was that we need to have a dialogue about these issues, and these are issues which, on the Chinese side – as we just discussed, this is an issue that they raise all the time. And we have a discussion about this and we explain our position.

We have a set of issues of concern on our side – trying to understand what the Chinese objectives and policies are. And I think when we talk about reassurance, what we're talking about is the willingness to – not necessarily to change policy but to try to find ways to address it.

And if a country is convinced, as we are convinced with respect to our arms sales to Taiwan, that that's in support of stability, then we should be prepared to have a serious conversation about it; to listen to the PRC's concerns about it, but also not necessarily that we will agree, but rather to try to explain why we believe that this is consistent with what we think is the interests of both countries.

And I said, in this case with arms sales, that we believe it actually enhances stability. By giving Taiwan the confidence to enter into dialogue with the PRC, that enhances stability. So when we talk about this ability to have that kind of conversation.

Similarly, with respect to, for example, Chinese military modernization. We don't exclude the legitimacy of modernization, but there are aspects of the Chinese military modernization which concerns us. And we would like to understand better and hear a strong case from the Chinese about why particular elements of their modernization are consistent with their own account of peaceful development. So that's the kind of dialogue that needs to take place if we're going to be able to develop a strong relationship of trust and confidence going forward.

Q: Thanks very much. I'm Matthew Moss with the Washington Times. I'm just – I didn't hear you address at all – when you discussed APEC and ASEAN – Burma – obviously a lot of activity there in the last few days. Wondered if you could talk to us about what you foresee there.

MR. STEINBERG: Sure. More ASEAN than APEC. I mean, it obviously won't be a large issue in APEC but Burma is a member of ASEAN. I think that we have made clear that in terms of our policy objectives, we have not changed our objectives with respect to Burma, which is that we want to see a more open, tolerant society that respects the basic rights of its people and allows them to have a voice and a say in their own governance and that respects basic human dignity. We also want to see the government of Burma play a more constructive and stabilizing role in the region.

What we have agreed, however, is that the failure to engage with them was not producing the kinds of results we wanted either in terms of their domestic policies or their external relations, and therefore, we were prepared to engage in dialogue to see what's possible.

As you know, Assistant Secretary Campbell has just returned from Burma, and one of the things that was important about this visit was the ability to have a face-to-face conversation with senior Burmese officials, and also to talk face-to-face with Aung San Suu Kyi, which was one of the things that we insisted on as part of his willingness to go there.

I don't pretend for a second that we think that the dialogue will yield dramatic instant results but I also think that they provide an opportunity for the government there to understand

better about what it is that we're seeking, and to make clear what it would take to have a better relationship with the United States and to move forward on some things that may be of interest to them. So we hope that they take away from this some clarity about our own objectives and steps that they might take, particularly with respect to the upcoming elections because I think this really is an opportunity for the government there to demonstrate its seriousness about reintegrating itself into the region.

And we think it's very important, too – in connection with ASEAN – that Burma's ASEAN partners reinforce that. There are a number of countries which have spoken out very clearly about their concerns about human rights practices in Burma, and we think that given the adoption of the ASEAN charter, which speaks explicitly of these issues, it's important for ASEAN as an organization to stand up very clearly on behalf of it.

Q: Good morning, hi, Jim. Ed Chen of Bloomberg News. Jim, to what extent on this trip coming up will the president's ability to talk about and promote trade be hampered by domestic politics and concerns back home?

MR. STEINBERG: I think the president has made very clear the importance that he attaches to open trade. We've recognized that the success of the global economic recovery depends on sustaining an open trading system. And I think it's a message that he's going to reinforce on the trip. And it's certainly going to be a subject of conversation there.

I don't want to preview the specifics; the president will do that for you when he gets out there. But there's no question that having an open trading system, avoiding protectionism, is an important theme in keeping markets open, which is so central to the APEC agenda, is critical to us, as well. And I'm confident the president will have some things to say on that topic when he gets to the region.

MS. HACHIGIAN: I think there was a hand here. Let's try to keep your questions fairly short so we can get as many in as possible in the next seven minutes.

Q: Hi, I'm Stephanie Kleine-Ahlbrandt from the International Crisis Group in Beijing. I just wanted to know if you could address a bit the administration's efforts to engage China on the issue of Afghanistan and Pakistan.

MR. STEINBERG: It's a very good question. China has long, historically close ties to Pakistan, and it's a neighbor, as it were, of Afghanistan, as well, and therefore has considerable interest in stability in Afghanistan, as well.

There has been a very substantial engagement at a variety of levels with the Chinese government about how we can work together to pursue what are very much shared interests in both Pakistan and Afghanistan.

And that has focused, in particular, on a dialogue that Special Rep. Holbrooke – Ambassador Holbrooke – has had with his Chinese counterparts to try to get them actively involved in the international efforts, both to support the government in Pakistan; to provide the



opportunities for economic growth and a more stable society there as Pakistan takes on these very difficult security challenges that it's facing, and also to support the broader effort on the civilian side to help stabilize Afghanistan.

China has some significant economic investments in Afghanistan and therefore has shared stakes there. And I think that it has been very encouraging. It's a classic example where there really are broadly shared interests, and we see China more willing to be actively involved with other stakeholder countries in both.

And so this has been a very productive set of discussions. We talked about it during the Strategic and Economic Dialogue. As I say, Secretary Holbrooke has got his own very focused dialogue with Chinese counterparts, and we think that there has been a growing willingness on the Chinese side to engage and try to work with us on the common objectives there.

MS. HACHIGIAN: One last one.

Q: Thank you, sir. My name is – (inaudible) – from Radio Free Asia in Washington. I'd like to ask you a question on North Korea. During the trip to Asian countries of President Obama, with China, does he discuss of the issue of the direct talk between U.S. and North Korea? And after his visit – Stephen Bosworth to Pyongyang – Stephen Bosworth said yesterday – do you have any comment on that?

MR. STEINBERG: I think that – first of all, we've had tremendously close consultation with all our partners in the six-party talks about how to deal with the challenge presented by North Korea's nuclear program. And I think one of the things that's been very encouraging over the last several months is the degree of convergence among all of the countries – Japan, South Korea, China, Russia and the United States – about what needs to happen to go forward.

We all agree on two very fundamental principles, which is, one, that the objective of these discussions has to be the complete denuclearization of North Korea based on the 2005 joint statement; and, second, that the way to achieve that is through the six-party talks. So we're very much in sync about that.

we're also, I think, in sync on the proposition that as we return to the six-party talks, that we need to frame the way forward in a way that really leads to irreversible steps; that while earlier efforts were well-intentioned, they did not succeed in producing irreversible results on the roads to denuclearization. And so we need to take an approach which will lead to concrete demonstrable and irreversible steps in support of denuclearization, and that the other members of the six-party talks are prepared to respond appropriately as North Korea does that.

We also all agree that individual countries clearly do have direct engagement with North Korea, but they're all in support of the same objectives. So we've had visits by senior Chinese officials – first state counselor Dai Bingguo and then Premier Wen Jiabao – reinforcing that message. That was a kind of bilateral engagement, if you will, between North Korea and China, but support and with the clear message that the way to move forward on the substantive negotiations is to return to the six-party talks.

And we've said that we're prepared to have bilateral discussions with North Korea but not negotiations over these issues; that the way to move forward on the substance is through a return of the six-party talks. And we're prepared, at an appropriate time – if we can have direct contacts to reinforce that message – that we prepared to do that.

MS. HACHIGIAN: Thank you. We have time for a couple more questions.

Q: Mary Celine (ph) with Northrop Grumman, hi, good to see you. I wonder if you would talk about how, with the framework you've sketched out, China's economic activism in Africa and Latin America fits in.

MR. STEINBERG: That's a very good question, and it's an interesting question to see sort of both the evolution and where the future might foretell for the way China has become more integrated in the global economy.

There's no question that as China's economic interests have grown, it has had a kind of going-out strategy that has deepened its involvement, particularly in natural resources but also, to some extent, in other economic sectors. And that's an understandable and natural part of the growth of the economy but the question is, what are the implications for its engagement with countries in the region and how it conducts those policies?

And we feel very strongly that China, because it has a stake in the global economic system, ought to engage in its global economic activities on the basis of fundamental market principles in which it respects open trading, that it uses the market rather than mercantilist policies to pursue its interest, and reinforces that – particularly with respect to energy and natural resources.

And, second, that in its engagement, that it understands that it could have a big impact on domestic, economic, social and political policies in the countries that it engages. And it needs to be sensitive to the consequences of that engagement, and not use those relationships as a way to undermine the efforts of the broader international community both to promote stability, either address or avoid conflict, and to promote basic human rights in these countries.

We've had, obviously, a number of areas where there've been specific concerns that we've had to engage with the Chinese – Sudan, for example, where we had been concerned that because of its interest in making investments in the energy sector in Sudan, that that might somehow undermine the efforts of the international community to address the conflict in Darfur; to get the Sudanese government to deal more responsibly with its own citizens to implement the comprehensive peace agreement with the South and the like.

I would say that we see progress in the way that China is conducting its relations. It recognizes that a lot of others are going to be paying attention to this and it can't simply say that it's going to ignore the consequences of these economic engagements for these broader political and security considerations.

And we are seeing some signs that China recognizes that along with this greater stake, goes a greater responsibility for taking account of the implications of its economic engagement. Our special envoy for Sudan has had intense engagements with the Chinese, making clear that we expect them – because of the influence that they have in the region – to play a more constructive role.

And I would say, on the margins we do see that, but it's not as much as we would like to see. This is part of China taking on the equivalent responsibilities that go with its global economic engagement. And we would want to reinforce that in Africa, in Latin America and in Southeast Asia, in particular – in terms of its engagement with Burma, for example; another case where, along with its economic engagement in Burma, we believe it has a responsibility to promote positive developments in terms of human rights and political openness in Burma.

And this is now part of our dialogue with China, which is a positive sign. They don't sort of push it off and say, this is not an appropriate subject for conversation. But we still have a ways to go in terms of getting the kinds of engagement that we would like to have in some of these troubled areas.

MS. HACHIGIAN: I think we're going to have to leave it there, so please all remain seated until the deputy secretary has a chance to leave, but please join me now in thanking him.

MR. STEINBERG: Thank you. (Applause.)

(END)