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WELCOME/MODERATOR:

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SPEAKERS:

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JOHN HAMRE: Good morning, everybody. Welcome on a soggy and cold day. I'm glad so many people could join us and we're delighted to have you here. This is a very important opportunity for CSIS to be able to host Steve Hadley. He's been a great friend through the years, through both his time before he has been the national security advisor and of course these last years. To be candid, I don't know how he made it, I mean, eight years as deputy and then national security advisor; I mean this has got to be a world record. It's a remarkable – this is one of the most demanding jobs and a remarkable accomplishment and so I – I did happen to notice, however, that you're deputy is within voice-throwing range of you, Steve, so J. D. (sp) is here, just in case there's a problem – you can call on him and I'm sure he'll be glad to pitch in.

You all know Steve Hadley so it's pointless for me to give a mechanical review of his biography, but just to – if I might just put some skin tone on what would otherwise be a black and white representation: This is a man who has been living in the biggest pressure cooker in the world and yet throughout this period has kept hold of his humanity. I've talked to lots of people; I've hired some of them, you know, that have worked for him – talked to a lot of people who have worked for Steve through the years and there's such a uniform representation of Steve as a gracious gentleman in all circumstances. And it's that deep humanity that I think has sustained him through eight very hard years and we're so fortunate that a man of his character would choose to be a leader of all of us during this time.

So I'm very grateful to have a chance publicly to say, Steve, this country is deeply grateful to what you have done and we look forward to hearing your thoughts and here toward the sunset of this remarkable career. Steve Hadley, ladies and gentlemen.

(Applause.)

STEPHEN HADLEY: Thank you, John, very much for those kind words. I'm honored to be here at the Center for Strategic and International Studies. I thank you for the research you conduct, the analysis you provide and the policy ideas that you develop.

In less than two weeks a new president will take the oath of office. And a watching world will witness the greatest of democratic transitions and traditions – the peaceful transfer of power. President Bush's administration has been working closely with the president-elect's team to make this transition the smoothest in history. The stakes are clear: America is a nation at war. And in the post-9/11 world we face complex challenges that will not pause for a change in administrations.

Last month President Bush delivered a series of speeches about how we have worked to confront these challenges over the past eight years. At the Saban Forum, the president discussed how our approach to the Middle East changed after 9/11. At West Point the president explained how the military has transformed to meet the dangers of a new century. And at the Army War

College, the president outlined the steps we have taken to keep America safe here at home and to promote liberty abroad as the great alternative to terror.

Today I would like to talk to you about the core convictions that have formed the basis of President Bush's foreign policy, what this administration has accomplished in key regions of the world and what opportunities and challenges await the next administration. Over the past eight years, President Bush's foreign policy has been guided by three firm convictions. The president believes that liberty is God's gift to every man, woman and child, that effective democratic states are the critical building blocks of a peaceful and prosperous international order and that America is called to lead this community of democracies.

Ultimately, people will make the best decisions for themselves and for their societies if given the political freedom to do so. But to exercise that freedom, they must also be free from violence and injustice and be offered the means to overcome ignorance, want and disease. Democratic states with effective institutions are best able to meet these needs and are our best partners in building a more peaceful and prosperous world. But these nations need American leadership. We are a wealthy and powerful nation with the capacity to make the world safer and better and that imposes on us a moral obligation to do so. As President Bush often says, to whom much is given, much is required.

These core convictions have helped President Bush steer his foreign policy through four popularly perceived but ultimately false choices. The first false choice is between a realistic and an idealistic foreign policy. After 9/11 President Bush recognized that an idealistic foreign policy based on promoting liberty was the only realistic strategy for advancing America's fundamental interests. We are engaged in a great ideological struggle and to prevail, we must counter the terrorists' dark ideology with a more hopeful alternative. As the president said in his second inaugural address: "The best hope for peace in our world is the expansion of freedom in all the world." And so, "America's vital interests and our deepest beliefs are now one."

The second false choice is between unilateralism and multilateralism. President Bush recognizes that the United States can rarely achieve its objectives by acting alone. So our preference is always to work with allies and partners. Yet international partnerships are not self-justifying: They must produce results. And when necessary, like every modern president before him, President Bush has been prepared to act alone to defend America's security.

The third false choice is between hard power and soft power, or military force and diplomacy. The president understands that we do not have to choose between these tools. Instead, we must integrate all elements of national power – including diplomatic, economic, and military – to advance our interests. When properly employed, these tools can be mutually reinforcing. Hard power makes soft power more effective. And by maintaining the credible threat of military force and economic sanctions we add weight to our diplomacy.

The fourth false choice is between popularity and principle. America has always been defined by our ideals of liberty and justice. These ideals have made our nation a beacon of hope and opportunity for people around the world. In the short run, acting on principle can be unpopular because our principles challenge the world views of many and our power thwarts the

hegemonic ambitions of the few. But ultimately it is our principles that make us attractive to most of the world and if we hold to them, the world will see, respect and support us.

By defying these false choices, President Bush has pursued a foreign policy that has delivered results around the world. In Europe President Bush has worked to build a continent that is whole, free and at peace; that is united by common values and that joins with America to confront the challenges of the 21st century. Under the president's leadership, America has helped consolidate post-war democratic gains in Central and Eastern Europe. Today 10 nations that were once behind the Iron Curtain are now members of Euro-Atlantic institutions. The people of Ukraine and Georgia have cast off tyranny and cast their votes in free elections. A reforming and democratic Turkey has a stronger relationship with the United States and is moving closer to membership in the European Union. An expanded NATO alliance is fighting terrorists in Afghanistan and transforming to conduct operations beyond its borders.

Our strong relations across Europe present the next administration with many opportunities. Working with our European partners, the next administration should be able to enforce tougher sanctions on Iran; complete the integration of the Balkan states, including Kosovo and Serbia, into the transatlantic community; bring freedom to Belarus and diversify the sources and routes of Europe's gas and oil supply.

On Russia, President Bush has worked to shift America's relationship from the rivalries of the Cold War to partnering with Russia in areas where we share common interests while managing our differences in a frank, consistent and transparent way. Today Russia and America are partnering on many fronts. We are working together to reduce operationally-deployed strategic nuclear warheads. We are working together to prevent nuclear materials and technologies from falling into the hands of terrorists. We are working together to ensure that Iran and North Korea cannot threaten their neighbors with nuclear weapons and we are working together to support negotiations in the Holy Land for a Palestinian state and a durable peace.

At the same time, we understand that true partnerships depend on shared democratic values. And insofar as Russia falls short of respecting the rights and freedoms of its people and its neighbors, the scope of our partnership is necessarily and correspondingly limited. President Bush has made clear to Russia's leaders that the great powers of the 21st century cannot pursue the coercive policies of the 19th century. A Russia that continues to threaten its neighbors and manipulate their access to energy will compromise any aspirations for greater global influence. The next administration will have the challenge of building on our cooperation with Russia while also confronting that nation's aggressiveness and uncertain intentions.

In the Middle East President Bush emphatically rejected the widely-held view that the Arab world was unsuited for democracy and its people unready for freedom. Instead, the president has promoted democracy, liberty and tolerance throughout the region; supported our friends and allies and confronted extremist states and groups. In many respects, the Middle East has become the center of gravity of American foreign policy, the principal theater of operations and deployment for our military, the testing ground for the strength of our principles and ideals and the focus of our most important diplomacy.

Today, despite the violence in Gaza, there is the prospect of a freer and more hopeful future for the region. With help from the United States, our Gulf allies have greater defensive capabilities and more confidence in their ability to confront terrorism and other threats. Saudi Arabia – the birthplace of 15 of the 9/11 hijackers – is one of America's most capable partners in counterterrorism operations. Libya has abandoned its dangerous weapons of mass destruction programs, ended its support for terror, paid more than \$1 billion to victims of past terrorist activities and welcomed its first U.S. ambassador in three decades. Lebanon has regained its sovereignty, independence and democracy after nearly 30 years of Syrian occupation thanks to the courage of its people and the joint diplomacy of France and the United States. And across the Middle East, more people participate in competitive elections and more women vote and hold office than ever before.

We also see reasons for hope in the Holy Land. Israelis and Palestinians have been negotiating the peace – with Arab support – based on a vision of two democratic states, Israel and Palestine, living side by side in peace and security. The United States is facilitating these talks, but we are not substituting ourselves for the parties or imposing our views on either side. In parallel with these negotiations, the United States is supporting Palestinian Authority Prime Minister Salam Fayyad in his efforts to build the security, economic and political institutions of a democratic state.

For the next administration, the biggest challenge in this region is Iran. Negotiations with Iran, as some have proposed, without leverage on Iran will not produce a change in Iranian behavior or advance U.S. interests. The outgoing administration and its international partners will leave the incoming team with significantly increased leverage on Iran. The issue is how the new team will use this leverage to produce a different Iranian policy on its nuclear program, terrorism and Middle East peace.

Perhaps surprisingly, the biggest opportunity for the new administration may be Middle East peace. I hope the new team will not feel compelled to reinvent the wheel, but will use the Annapolis process, which has been embraced by the states of the region and enshrined in United Nations Security Council Resolution 1850, as an opportunity to advance the cause of peace. First and foremost, this means helping complete the building of the democratic institutions of a Palestinian state. This work is critical to any future peace. Second, it means using the confidential bilateral negotiations between Palestinians and Israelis already underway to negotiate the peace and build on the substantial progress that already has been made.

On Iraq, you have heard President Bush describe his strategy many times: to build a democratic Iraq that can govern itself, defend itself, sustain itself and be an ally in the war on terror. This goal has not changed, it has not been dumbed-down in response to hard going on the ground and its realization is now in view. It is in view because in January 2007, President Bush made the decision to surge additional forces into Iraq and give them a mission of securing the population.

President Bush took this decision at a time when many government officials and military officers initially recommended against it; when many in the intelligence community, the Washington think tanks and on the editorial opinion pages thought Iraq was lost to civil war and

Congress was trying to constrain funds for the effort. But events have vindicated the president's decision. Today, violence is down across Iraq, the Iraqi people govern themselves under one of the most progressive constitutions in the Middle East and, for the first time in the region's history, Sunni, Shia and Kurds are working together within a democratic framework to build a more hopeful future for their country.

As the return on success of its policies, the administration has been reducing troops in Iraq from post-surge levels since the end of 2007. And we recently concluded agreements that envision the completion of the U.S. withdrawal by the end of 2011. As the members of the next administration carry out this Status of Forces agreement, they will have the opportunity to successfully conclude the American effort in Iraq. And as they implement the companion Strategic Framework Agreement, America will gain a long-term democratic partner in the Middle East. Together, a democratic Iraq, a free Lebanon and a democratic Palestinian state can be the keys to a transformed and more hopeful Middle East.

The Asia-Pacific is a region of increasing importance to America's security and economic well-being. President Bush has strengthened the institutional relationships that will allow the new president the better to advance our interests there. President Bush's strategy has been to revitalize existing alliances, establish new strategic partnerships, bring China into the international system as a responsible player, confront terrorist and proliferation threats and promote freedom and democracy.

America is helping the people of Afghanistan recover from years of tyranny under the Taliban and build a more hopeful future of freedom. Today Afghanistan has a new democratic constitution, an elected parliament and president, more than 6 million children in school, 8,000 kilometers of new paved roads and a growing military of 80,000 personnel. We have maintained close relations with Afghanistan's neighbor, Pakistan. We recognize that Pakistan faces enormous economic, political and security challenges. But we also understand that Pakistan has a better chance of successfully meeting these challenges with a freely elected democratic government. And today Pakistan has such a government thanks in no small part to President Bush's skillful diplomacy.

We have formed a new strategic partnership with the world's largest democracy, India. An historic agreement for civil nuclear cooperation has helped transform our relationship and make us global partners. We rebuilt relations with Indonesia, the nation with the largest Muslim population in the world. Indonesia has now ended the insurgency in Aceh and is combating the threat of terrorism.

We have revitalized our security alliances with Japan, South Korea and Australia. We have realigned and repositioned our military forces in these nations so we can better meet future challenges and reduce the burdens on local populations. And we have joined with our democratic allies to create the Asian Pacific Democracy Partnership to strengthen freedom in the region. We have built a stronger relationship with China based on cooperation where we agree and candor where we disagree. Tensions over Taiwan have eased considerably. And we continue to press China on human rights and religious freedom.

We have used the multilateral framework of the Six-Party Talks to pressure North Korea to follow through on its agreements to abandon its nuclear weapons programs. These talks will be an early challenge for the incoming administration. North Korea will test the new administration by once again trying to split the six parties and renegotiate the deal – we've seen it before. And when its efforts to do so fail, North Korea will need to accept a verification agreement so we can verify the disablement and then dismantlement of that country's nuclear capabilities. Without this verification agreement there can be no progress. This is especially true because some in the intelligence community have increasing concerns that North Korea has an ongoing covert uranium enrichment program.

Afghanistan will be another early challenge for the new administration. The Taliban remain a serious threat. Its fighters have found safe haven across the border in Pakistan. And if the extremists succeed in destabilizing Pakistan, the chaos will threaten peace and progress throughout the region. So stabilizing Pakistan must be a first priority of the new administration, as it has been one of ours. The new administration also has the opportunity to build on our efforts to link the countries of Central Asia with the nations of South Asia through a new axis of trade and energy. This axis can be the key to a more stable, prosperous and democratic region. And finally, I hope the new administration will continue pushing the cause of human rights and freedom in Burma.

In the Western Hemisphere, President Bush confronted the challenges of a region where many had begun to doubt the benefits of democracy and freedom. The president's strategy has been to help democratic governments in the region better serve their people and demonstrate that democracy can deliver and that freedom is the path to prosperity and a better life. Under President Bush's leadership the United States has renewed its commitment to social justice in the region. We pledged \$2 billion for new initiatives to improve access to health care, education, affordable housing and economic opportunity. We have helped lift the burden of more than 3 billion dollars of debt. We have negotiated free trade agreements with 10 nations, including two agreements awaiting approval from Congress. We pledged 1.3 billion dollars to help Mexico and Central American nations fight organized crime networks and drug traffickers. We are helping Colombia defeat the FARC and other narco-terrorists.

We have formed an important strategic partnership with Brazil and we are working with states like Brazil, Canada, Chile, Colombia, Mexico, Peru and Uruguay to showcase the benefits of markets, democracy and freedom as the alternative to competing visions based on populist rhetoric, statist economics and authoritarian politics. The commitment of these states represents an important opportunity for the new administration in dealing with the hemisphere. As a good first step, the new Congress should approve the free trade agreements with Colombia and Panama, as well as South Korea. And the most dramatic opportunity for advancing America's agenda in the hemisphere would be for the new administration to work with Congress to enact comprehensive immigration reform and build an immigration system that is compassionate and fair.

As seen best in Africa, President Bush has followed an approach to development that embraces partnership instead of paternalism. We work with democracies that govern justly, fight corruption, invest in the health and education of their people, embrace free trade and free

markets to lift people out of poverty and achieve results. President Bush and Congress have backed this strategy with unprecedented resources. During the president's first term, our nation tripled bilateral assistance to sub-Saharan Africa, and we are on a pace to double our assistance again by 2010. Across Africa, a new day of hope is dawning. Major conflicts have ended in Liberia, Angola, Sierra Leone and Burundi. With American support, African leaders and regional organizations are stepping forward to help end violence in Darfur, Congo and Somalia.

Together, the countries of the G-8 have relieved \$34 billion of debt for 19 African countries. Through new initiatives, the United States is partnering with African nations to improve education, promote free enterprise and combat the scourge of HIV/AIDS, malaria and neglected tropical diseases through the International Global Fund and the president's emergency plan for AIDS relief. And through the Millennium Challenge Corporation, we have signed 11 compacts with African nations to help their people build a brighter future. The people of Africa have a strong and reliable partner in the United States, and I hope the next administration will continue this approach.

Finally, around the world, President Bush has led a global campaign against terror. After September 11th, 2001, President Bush recognized that terrorism was not just an issue of law enforcement, but a war to be won – a battle of arms and ideas. One of the president's most significant contributions has been to establish the basic principles for waging this struggle. We will not wait for new threats to gather; we will fight the terrorists abroad so we do not have to face them here at home; we will make no distinction between the terrorists and those who harbor them; we will counter the ideology of violent extremism with a more hopeful vision of tolerance and freedom; and we will make clear that violence against civilians is never justified by any cause or creed.

We have seen the results of this approach. Together with a coalition of more than 90 nations, we have used all elements of our national power to kill or capture terrorist leaders, deny them safe haven and choke off their financing. And thanks to the courage of the men and women who work day and night to defend our nation, we have saved lives around the world and have not experienced a terrorist attack on our soil for more than seven years.

The biggest threat to our nation would be the world's most dangerous weapons falling into the hands of the world's most dangerous terrorists. President Bush has placed great emphasis on countering proliferation of weapons of mass destruction. He created the Proliferation Security Initiative, which now includes over 90 countries that cooperate together to interdict the movement of WMD materials and technology on land, at sea and in the air. Through other initiatives, the administration is helping to secure WMD materials and technology around the globe, and we have enhanced our defenses against the WMD threat. This includes building missile defenses that provide protection to the U.S. homeland, our deployed troops and our allies from attacks by rogue states that might possess these weapons.

President Bush has put in place the tools that will permit future presidents to succeed in the long struggle ahead. And I hope the next administration will preserve these tools and use them effectively to defend our security and freedom. President Bush has led our nation during a time of great consequence. Few presidents have faced more challenges. But when the history

books are written, they will tell the story of a man who never wavered from his principles, who kept our nation safe, and who helped spread the blessing of liberty to millions around the world. As this administration ends and a new one begins, we can have confidence in the future of our nation, because we can have confidence in the character of our people, the power of our ideals and the enduring strength of our democracy. Along with every other American, I wish the President-elect Obama and his team all the best and every success. Thank you.

(Applause.)

MR. HAMRE: Thank you very much, Steve. We've got about 15 minutes for questions, and so let me open up the floor for those that would like. Please identify yourself so I know who you are, so that we can get the ball rolling. So, please – yes, please, you ma'am. A microphone's coming right down.

Q: My name is Elena Postnikova; I am from Freedom House. And I represent an international non-profit organization that monitors freedom and democracy around the world since 1972. And we release annual surveys with ratings on freedom in every country in the world. And we use complex methodology that is internationally recognized and respected. And our surveys show that –

MR. HAMRE: Do you have a question? Let's have a question.

Q: Yes. Our surveys show that, for the past three years, freedom was in retreat around the world. President Bush declared his "freedom agenda" to be a priority of the U.S. foreign policy, and I would like to know how you can – what you can say about the – how you can comment that our ratings show retreat in freedom around the world.

MR. HADLEY: I think one thing we know is the advance of freedom is – sorry, one of the things we know is the advance of freedom is hard work and a long-term project. And I think it's had its ups and downs, and I think a three-year sample – I'm sure that all your metrics are right and you can say that it may have declined over the last three years. I think the president's agenda is based on the following notion. One, we need to hold the ideal of freedom out there as a rallying point for people. But also, there are national projects that advance the hard work of freedom that are going to take time.

I think the point I made with respect to the Middle East – I think, as I said, there are more people voting; there are more people – more women – participating in government than there were in the past, but the truth is, the project of bringing freedom to the Middle East is going to depend on the success of the efforts in Lebanon, the success of the efforts in Iraq and the success on building a Palestinian state so that there are examples of free societies that are succeeding to give hope and examples in the region.

If you look at what's going on in Iraq, Tariq Aziz, the – Dr. Rubaie, the national security advisor for Iraq was in yesterday. And one of the things I talked to him about was, what is really going on there is unprecedented in the history of Iraq and unprecedented in the Middle East. Sunni, Shia and Kurds are trying to work together in a democratic framework to advance a future

for their country – not Shia on top, Sunni on the bottom, or the reverse, which has been the history in the region – but with them working together in a democratic framework. The success of that experiment is terribly important if the issue of tensions within the Middle East is going to be resolved. If that experiment can succeed and be an example for the rest of the Middle East, you can, over time – and it is the work of a long period of time – advance and bring freedom to the Middle East.

But it's going to take time, and it's not going to be something that you can take the temperature every year and say, are we succeeding and failing – useful as that activity is. So I think – and the other thing that I would say is, you know, there are setbacks. You know, we saw in 2004 and 2005, the advance of freedom; we saw, you know the Rose Revolution, the Cedar Revolution, the Orange Revolution. And what we found in 2006 is, the empire has a way of striking back. And the forces of reaction are strong. So this work of freedom is going to take a long time. It is not the work of the Bush administration; it has been the project of America since its inception. We are founded, as a nation, not because of common language or common ethnic background; we are founded, as a nation, on a set of principles. And they have freedom and liberty on their core. And that is who we are as a people, and that is what we have done throughout our history. We have fought in world wars in order to advance the cause of freedom and democracy.

It's what we are as a nation. It is what every administration has done with more or less emphasis. And my hope for the new administration is that they maintain the emphasis, because, as I think we've seen and the president strongly believes the challenges we face are from forces that oppose freedom and have a different view. And we are only going to defeat them if we can offer an alternative to people of a democratic and a structure and society that will, over time, deliver a better life for their peoples.

MR. HAMRE: In the back, yeah? Right behind you, Allison.

Q: Nick Bowman (ph), Voice of America. Mr. Hadley, I was wondering if you could comment on an article in the New York Times a couple of weeks ago that spoke of an unprecedented effort on the part of the outgoing Bush administration to bring the incoming Obama national security and foreign policy team up to speed on the world's hotspots, drawing up special contingency plans. Can you confirm, basically, the gist of the article? And to what extent should anyone view this, if in fact this is the case, as an admission on the part of the outgoing administration that they're leaving a lot of loose ends for the incoming people to pick up?

MR. HADLEY: Well, I think "loose ends" is putting it mildly. (Laughter.) Look, there has, I think, rarely been a president who has had more challenges – he would say opportunities – than President Bush. And that means that there rarely has been an incoming president who has as many challenges and opportunities as President-elect Obama. We are doing this transition for the first time in over 50 years when the nation is at war, and when our forces are deployed in a global war on terror, but also with theaters in Iraq and Afghanistan.

So it seems only appropriate in this different kind of historical time, we have a different kind of transition. And this is very much a mutual effort by the outgoing team and the incoming team. I was in the transition from President Ford to President Carter, and I must say, I was surprised – I stayed on with the new team for about three weeks – and all the vaunted, secure filing cabinets in the old DOB were empty. There was not a single piece of paper that was transitioned to the new team. And I've always thought this was very – not good governance at its best.

So what we are doing is the following: One of the things we've done is we have taken the 40 key issues in this administration and we have prepared a document, which, basically, on each one is a memorandum that says, this is what we've found, this is what our strategy was, this is what we think we've accomplished and this is the work that remains to be done. And behind that memorandum is a chronology of events within our administration and all the various source documents. Why do we do this? The new team doesn't need to read them – certainly, doesn't need to follow the policies in them – but what we thought was important, in this different kind of transition, for them to know what they have to work with – what kind of policies in place, what kind of relationships are in place and what kind of tools they have available. And what we, at least, think are the challenges that are going to hit them quickly.

We've also got, as you would expect, the series of briefing memorandums and, you know, view-graph briefings on the issues of the day. We're also going to try and see if we can have some sessions where the outgoing NSC team meets with the incoming NSC team, sits down and has some briefings on particularly sensitive topics briefed to them together so we can have some interaction and they can get a sense of how the various departments and agencies are working together on some of these common problems. So it is – we are – both sides, with the direction of both President Bush and President-elect Obama – trying to make this a very different transition, because we're in a very different time. And we all, as Americans, want the new team to succeed and to be able to take these challenges and turn them into opportunities for the country.

MR. HAMRE: Down here, Allison, in the front. The second chair, right there.

Q: Thank you. Raghuraj Goyal for India Globe and Asia Today. Mr. Hadley, thank you very much. This is a great speech. I think this is the first time in many, many years I have heard this may be a farewell speech by the President Bush. My question is that you said that Pakistan has become a safe haven for terrorists. It's been eight years, now, that many think tanks are saying that Pakistan is, today, a factory for terrorists, which they are exporting around the globe, including against India and also in the Middle East and so forth. It's been eight years, now, that billions of dollars has gone to Pakistan to curb the terrorists and also hatred against the West and against the U.S., and to close down madrassas and so forth. But still, in eight years, terrorism has not gone down, but it has gone up.

MR. HAMRE: I need a question. I need a question.

Q: The question is that, what happened in eight years that we could not control terrorism there, and what advice do you have for your counterpart of the new administration, how they will do it, which we could not do. And we still have, at large, Osama bin Laden. Thank you, sir.

MR. HADLEY: Yeah, I think that Pakistan is a victim of terror. And one of the things that people have focused on is, well, activities in certain of the border regions of Pakistan that make more difficult achieving democratic stability in Afghanistan, which is true. But I think one of the things we've also seen is that those – that terrorist presence – Taliban, al Qaeda and other extremist groups – also are a threat to Pakistan. And I think the – this democratic government in Pakistan understands that. If you talk to President Zardari, he says, you don't need to tell me that Pakistanis are victims of terror; the terrorists killed my wife.

So what you have is a democratic government in Pakistan, and we think that is a real opportunity, because we think that democratic government has the opportunity to rally the people of Pakistan in behind what is going to be a very difficult fight. This is a new government; it is getting its bearings. It faces severe terrorist threats from organizations that have deep roots into the society. They have a military force that was designed for conventional conflict with India, not for dealing with counterterrorism. What we've learned in all of these things – that it takes a long time.

I think in the early years after the war on terror, we made some great progress. I think we should not underestimate the difficulty of President Musharraf after 9/11 being called upon to make a strategic shift and going against al Qaeda and being willing to do so. And in the years past 2001 – in the first three or four years of the war on terror – most of the al Qaeda leadership which were killed or captured were killed or captured in Pakistan. But there was a period of time about two to three years ago when Pakistan tried negotiating arrangements with tribal groups on the grounds that they would control the terrorists. And I think those arrangements, for a lot of reasons, did not work.

And then Pakistan went into a very difficult political transition, from which this new government has emerged. And that's where we are. A new government that, I think, is talking, clearly, that it wants to confront terror, but does not really, at this point, have the tools, and has, probably, as difficult a challenge, to deal with the various groups that it has, of any nation. And that's why, I think, it is going to be one of the key challenges, because success in Pakistan – overcoming this challenge – is important for stability in Pakistan, which is important to us in itself. But stability in Pakistan is also going to be important – and success in the war on terror in Pakistan – is also going to be important if we're going to take care of the problem in Afghanistan, and if we are going to get Pakistan and Indian relations to continue on a positive footing.

So there is a lot at stake in Pakistan, and they have as daunting a task as any government today. And it is going to be very important for the new team to support their efforts. And I'm encouraged; I think you've seen statements from President-elect Obama, certainly from President-elect – Vice President Biden – that I think they understand the challenge that Pakistan faces, and that means, the challenge we face.

MR. HAMRE: No, I'm sorry. I'm sorry. Second is third row from the front, right in – standing here. Mark, just a second. Microphone? Microphone, please?

Q: Mark Brzezynski (ph). Mr. Hadley, could you say a little bit more about Mexico? You mentioned the Merida program, which your administration effectively saw through. Has the money been released, but more generally, is the problem being effectively tackled in Mexico? The Calderón government has deployed 36,000 troops across the country, and yet, the killings continue and there seems to be a real problem there.

MR. HADLEY: I did not, probably, say enough about that. I think that is a real challenge for the new team as well. Mexico, I think, is obviously – if you talk to Mexican authorities, they feel very much under threat. And it's – you know, the way to understate it is to say that it is a terrorism problem, it is a narco-trafficking problem. I think a better way to see it is that it is a potential threat to the future of a democratic Mexico. And I think if you listen to President Calderón, that is how he sees it. It is very much the kind of threat that President Uribe faced in Colombia.

There are things we can do, and the Merida Initiative has a long list of training, equipment and other things we can provide to make Mexican authorities more effective in dealing with this problem, but the Mexican authorities have some choices they have to make as well. And it's this old problem – for the moment, it is being fought in the context of a law enforcement model. With the military now engaged, which has been a difficult issue for Mexican society, but in this odd arrangement in conjunction and in support of the law enforcement.

So my understanding is, the military go after people with a warrant in hand. You can work that, I suppose, but I think the real question for the Mexican authorities and for their politics: Is the level of effort and commitment they are making proportional to the threat that the problem poses to the future of that government? And then the question for us is, are we doing all we can to support them and make them more capable and more effective? That, in itself, is a difficult issue for Mexico, given the history between the United States and Mexico.

And I think they have been quite courageous – and it's an indication of the measure of seriousness with which they view the problem – that they are willing to consider a kind of cooperation with the United States that would have been unthinkable 10 years ago. The president is – President Bush is – very impressed with President Calderón. We think he has the right plan. He has a challenge, obviously, to mobilize his society to make the commitment to deal with this problem. And then, we, in turn, need to do what we can to help them, because a problem on the southern side of the border, if we do not handle it, will be an even more severe problem on the north of the border – that is to say, in the United States. It's a problem now and it could get worse.

So we think what we have left for the new team is a good framework. Thanks to the Congress, we have an initial down payment of some important resources to put into it. But again, this is going to be one of those long, long struggles. I think the importance of what has happened in Colombia, in a program started by the Clinton administration, then, and continued

by ours – and really because of President Uribe in Colombia – is, this can be done. Democratic societies do not need to give in to these narco-terrorists. It's a long fight; it requires a commitment; it requires help; but I think the lesson from Colombia is that these fights can be won, and we need to, then, help Mexico to win its fight as well.

MR. HAMRE: We've got time for one last question. It's the second, the third person, here, and that's going to be it. I'm sorry.

Q: John Tsang (ph) with CTI TV of Taiwan. Sir, you mentioned U.S.-China relations. You touched upon the cross-strait relationship – the reduction of tension – could you elaborate a little bit more on the current state of U.S.-China relations, which seems to be one of the bright spots of President Bush's foreign policy successes? And also, the current state of U.S.-Taiwan relations, which experienced some very hard times over the last eight years. Thank you very much.

MR. HADLEY: What President Bush has tried to do is have a course that basically respects, you know, the One China Policy and all the rest and the three communiqués, which are the bulwark of our policy with respect to China, but also to make very clear that we – that both sides – China and Taiwan – need to respect the status quo, and there needs to be no unilateral actions by either side. And that was very much his – the framework of his policy with respect to China – and at the same time, making very clear to China that we would carry out our obligations under the Taiwan Relations Act to make sure that Taiwan had the capacity to provide for its own defense.

And the president stood very firm with respect to those principles. And I think that helped get through a difficult patch in the relations between China and Taiwan, and have helped encourage what is, really, a very hopeful turn in relations between China and Taiwan. But I want to make another point, which is that when China – when President Bush approached Asia, he approached it not by starting, first, with our relations with China, but starting, first, with our relations with our traditional allies. And he took, as part of his – a central feature of his Asia policy – to strengthen those alliances and to try and deal with a pretty long list of unresolved issues and irritants in those relationships, dealing with our force presence, the location of our forces and all the rest.

And working with successive governments in Japan and South Korea, we have really worked through that list over these last eight years. And I think those relationships are very strong, and that provides a platform for the United States in dealing with China – both the opportunities and challenges presented by China. So I think it is also very important for the new administration to think, in the same way, about how they are going to approach the issue of Asia more generally, and to see our relations with China in that broader context.

MR. HAMRE: Ladies and gentlemen, I know there are more questions. I'm sorry, but we promised the national security advisor we'd be out by 11:30, so thank you, but please stay in your seats so we can get him out through the security pattern. Thank you – let's all thank him for a great presentation.

(Applause.)

(END)