CENTER FOR
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)

CSIS PRESS BRIEFING:
PRESIDENT OBAMA AT THE APEC SUMMIT

WELCOME/MODERATOR:
H. ANDREW SCHWARTZ,
VICE PRESIDENT FOR EXTERNAL RELATIONS,
CSIS

SPEAKERS:
MICHAEL GREEN,
SENIOR ADVISOR, JAPAN CHAIR,
CSIS

BONNIE GLASER,
SENIOR FELLOW, FREEMAN CHAIR IN CHINA STUDIES,
CSIS

ERNIE Z. BOWER,
DIRECTOR, SOUTHEAST ASIA PROGRAM,
CSIS

STEVEN SCHRAGE,
SCHOLL CHAIR IN INTERNATIONAL BUSINESS,
CSIS

THURSDAY, NOVEMBER 5, 2009
9:00 A.M.
WASHINGTON, D.C.

Transcript by
Federal News Service
Washington, D.C.

H. ANDREW SCHWARTZ: Good morning and thank you for coming to the Center for Strategic and International Studies for our briefing on the president's trip to Asia. I'm Andrew Schwartz; I'm our vice president for external relations here at CSIS. And I see a lot of familiar faces and I see some new faces. And thank you all for coming this morning.

I'd like to point out – we passed out a couple of things that may be helpful. One is a new report on the United States and Korea, "Leading beyond the Storm." This is a report of CSIS' Scholl chair in international business, namely my colleague, Steve Schrage, to the left over here. And this report has some excellent charts in the back, too, that I hope you get a chance to take a look at.

And another thing is, one of our colleagues who is travelling overseas who would be with us today, Victor Cha, our Korea chair, Victor has prepared an edition of our "Critical Questions: President Obama's Trip to Asia." This will be e-mailed out as well. And I urge you all to register for our critical questions, which you can do at CSIS.org.

With that, I know that we have a busy morning ahead of us and a lot to talk about. I would like to introduce my colleague Mike Green, who is a senior advisor at CSIS and our Japan chair, to my immediate left. And then, next to Mike, we have Bonnie Glaser, who is one of our senior China scholars and works in our China studies department.

Next we have Ernie Bower. Ernie is our newest scholar here at CSIS and we are really, really proud to have him. He is known to many of you and he's certainly known to us and really completes our team in Asia with his expertise in Southeast Asia in particular. And then, of course, we have Steve Schrage, our business chair, who I mentioned earlier. And with that I'd like to turn it over to Dr. Green, who is going to deliver some opening remarks. Thank you.

MICHAEL GREEN: Thanks. We keep it cold down here for these morning sessions so people stay awake, but I think the heat is going to come on, so bear with us.

I spent 5 years on the National Security Council staff preparing visits to Asia exactly like the one President Obama is going to be taking next week. I did it for President Bush – five visits to the region and to APEC, like this one.

I was thinking through what my successors would be putting into the scope memo for the president – which he's probably writing right about now – in terms of the narrative that the White House would like you all to write about the trip and about each stop, and also about the subnarratives or trouble areas that the White House hopes you probably won't write about that could become problems at each stop.

So I'm not in the White House anymore and feel free to share with you what I would guess are the storylines they'd like you to write on each stop, and the ones they hope you won't write, which may or may not become problems but I think are worth watching.

In terms of the overall theme of the trip, there's no doubt about that one – Asia is becoming the most dynamic region in the world. It's the source of recovery from the current economic crisis; it is the region that has the most intense 19th century-style great power rivalry among Japan, China, Korea, India; it's a region that presents some of the toughest proliferation challenges; but it's also a region where some of the most important developments are happening in terms of democratization and development. So it's a very mixed bag, and it's very much becoming the center of international attention.

It's not the center of attention in Washington, though. The center of attention in Washington, I think, over the next two weeks will be, in terms of foreign policy, how President Obama will respond to the proposal from Gen. McChrystal.

And it struck me that the White House has signaled they're going to make this decision after the trip, which, based on my experience, means a good 30 to 50 percent of the president's time managing the press on this trip is going to be about Afghanistan.

And that's good news/bad news. It could be a distraction from some of the problems in Asia, but also it's going to be a distraction from what is generally a very good story for the U.S., and I think for the administration, in terms of Asia policy.

The president is popular in Asia, as he is in Western Europe and other parts of the world, and I'm sure they're going to want to play on that and look for venues and opportunities to emphasize that his personal popularity and his policies are bringing American leadership back into the region.

As a former Bush administration official, I would only point out that most opinion polls in the region at the end of the Bush administration showed that the U.S. was more popular at the end of the Bush administration in Asia than they were at the end of the Clinton administration.

The Chicago Council on Global Affairs did a survey last year on soft power. They asked across Asia what countries have the most influence, and they measured in a variety of ways, you know, what culture do you like, whose diplomacy is most effective – and the U.S. came out across the region as number one.

The Chicago Council hired a China scholar to analyze it, thinking the result would be China has the most soft power in Asia. China came in third across the region after the U.S. and Japan.

One of the questions they asked was, what country has increased its influence the most over the past 10 years? And every other country in the region said the U.S. Two countries said the U.S. did not increase its influence. The Chinese public said China had increased its influence

the most – although the rest of the region didn't see it that way – and then the American public said that we had lost influence. So we think we're pretty bad. (Chuckles.)

But the polls and the overall storyline over the last 10 years has been that American standing in Asia is pretty good. And I think that President Obama can add on top of that his own personal popularity, which is higher than President Bush's on a personal level across the region.

Other things to keep in mind: This trip is happening – it's the last major foreign trip for the president and the last three days of summits before Copenhagen. And I think in every stop, you'll see that the White House is trying to emphasize progress, especially with China, but also with Japan, Korea and in APEC on climate change, and, of course, the economic recovery.

Now, going through the itinerary, the first stop is Japan on the 12th and 13th of November. The theme the White House will want to emphasize – and the Japanese, too – is reaffirming the commitment of both governments to this alliance. The Obama administration has essentially followed what was a Bush strategy and began in the Clinton era of emphasizing Japan as the cornerstone of our Asia strategy as one way to engage China from a position of greater confidence and influence.

But the Japanese threw a bit of a curveball to the U.S. with this election August 30th, and you have a new government – the Democratic Party of Japan is the leader of the coalition – that is not anti-American and that is certainly committed to the alliance, but is a much more populous party and has thrown out a lot of promises to the Japanese people about reducing the size of U.S. bases, creating a more equal alliance. Prime Minister Hatoyama, recently in Beijing appearing with Hu Jintao, said that Japan has been too dependent on the United States.

These are themes that are not especially welcome in the White House but a lot of them are sort of vague and I think that the U.S.-Japan alliance remains important in Japan; 76 percent of the public says the alliance is important. So I don't think either side expects major shifts, but the themes coming out of this new government are problematic for the White House.

I think you will see the president emphasizing the importance of the alliance, perhaps pointing to next year, the 50th anniversary of the 1960 security treaty, as an opportunity to revitalize and strengthen the alliance. There will be some initiatives on climate and energy that the White House will clearly want to emphasize.

The storyline that they cannot avoid – that they probably want to avoid but cannot avoid – is about Okinawa and the bases because the new government has said that they will not move forward with – well, actually, what they said they would not move forward – with an agreement we have to move half the Marines to Guam and build a new base in Okinawa.

It's in the weeds but it's a lot of our forward presence, and the new government said, in their campaign promise, they wouldn't implement it. What Prime Minister Hatoyama has said is he won't make a decision about it until next year.

And Secretary Gates was in Japan October 20th, and came down pretty hard on the Japanese government publicly, saying, you can't put this off; the longer you put it off, the more the local opposition will build to it and the entire deal will fall apart. I doubt President Obama will be as publicly tough as Gates was, but he's not going to change the policy line of the U.S. So that's going to be one that's going to be difficult to manage.

When I was in the White House, we used to go to Korea with some trepidation because you never knew what Roh Moo-hyun was going to say when he was president in Korea. I think this White House is going to Japan with a similar uncertainty about what's going to happen there.

November 13 to 15, the president is in Singapore for APEC, the Asia-Pacific Economic Cooperation forum. Ernie's going to talk more about the summit with ASEAN. APEC is the most important trans-Pacific economic forum in Asia. There are more than 70 free trade arrangements in Asia right now, and the U.S. is only really involved in a very small handful.

And the way we keep at the center of economic integration in Asia is by having a dynamic Asia-Pacific Economic Cooperation forum process. And you have Singapore this year, Japan next year and the U.S. the year after that.

So there's a feeling among the business community and foreign policy experts that we really can build a lot of momentum for a trans-Pacific series of agreements that would keep the U.S. locked in and prevent a closed regional block. And that's certainly the theme that's going to come out of this APEC summit. I'm sure Steve will say more about this.

The problem is, the U.S. brings absolutely nothing to the table. The one agreement we have signed and ready to go with Korea is the biggest trade liberalizing agreement in Asia and would absolutely lock in a trans-Pacific trade liberalization process and give us real credibility in APEC.

It's not moving. My understanding is they had a White House meeting; the international people – State and others – said, we've got to do something; the word is that the White House political said, we can't; we've got to focus on health care and climate change legislation. So the subtext I think the White House wants you to avoid on this one is they don't have anything to work with – when the rest of the region is negotiating all sorts of agreements.

We'll have time, you know, the next year or the year after, but the problem is APEC is hosted the year after – next year is Japan; the year after that is U.S. – the year after that is Russia. People don't expect much. The hosts matter a lot. And by the time we get our act together, it may be too late to add vitality to APEC. I think it's a problem. The business community is concerned.

China – are you going to do China? China, October 15th to 18th – the administration has talked about a constructive and comprehensive relationship – have I got the C's right? What are they?

BONNIE GLASER: Positive, cooperative and comprehensive and you're stealing my show.

MR. GREEN: Positive, cooperative and comprehensive, thank you. The only thing I would say is for the Bush administration, the three C's were constructive, cooperative and candid. The "candid" has been dropped. And we'll see how that plays. I'll let Bonnie say more about China.

The things that I'm expecting are certainly some big deliverables on climate and energy, but not anything that involves Chinese commitments on greenhouse gas emission caps or participating in the Kyoto climate change arrangements. So it's going to be a good spin, perhaps, but not clear how much substance it gives for Copenhagen.

And the president is going to have, I think, some pressure to articulate what his position is on human rights and democracy and Tibet because he chose in October not to see the Dalai Lama here, and he's the first president to have done that since 1991.

In Korea, that's November 18, 19; pretty good visit, one night. Lee Myung-bak, the president of Korea, is pro-U.S., he's a pragmatist; his economy's doing pretty well. Korea hosts the G-20 next year; there's a lot of good stuff to talk about.

The subtext, or the question that I think the Korean press is really going to be looking at, is the U.S.-Korea free trade agreement. The Korean government would like the administration – or would like the president – they know he's not going to announce in Seoul that he's going to submit it to the Congress, but they'd like more than they got when President Lee was here in June, which was a statement that the president supports, in principle, the free trade agreement but thinks we have to fix it.

The Korean side would like more than that. They've staked a lot in this and they have some leverage because they're negotiating an agreement with the EU that, when it comes into force, is going to disadvantage U.S. business. So they'll put a little friendly pressure on President Obama.

Bonnie is going to talk about North Korea. The Korean press will talk a little bit about the grand bargain that President Lee has proposed for North Korea. There's frankly not that much there. He's a conservative skeptic of North Korea; he's putting out some aspirational vision of what could happen if North Korea gave up nuclear weapons. That's extremely unlikely and so a grand bargain with North Korea is extremely unlikely, but you'll see a certain amount about that.

And then he heads home. And, from my experience, does not talk to his Asia team for a month because he's sick of Asia – (chuckles) – because he's been on the road for almost two weeks. And back to the next part of the storyline.

MS. GLASER: The president will spend about four days in China. He arrives in Shanghai, I understand, in the evening on Sunday. This is President Obama's first ever visit to

China, so this is going to be a combination of some sightseeing and, obviously, important meetings with the Chinese leaders. The itinerary is not set; I can give you a sense of some of the things that are being considered but nothing has been finalized, as I understand it.

The U.S. is interested in organizing a town hall-type meeting in Shanghai with Chinese youth for the president to engage with. My expectation is if this comes off, it will be handpicked individuals from a leading university in Shanghai, like Fudan; probably not too dissimilar from President Clinton's meeting that he had when he was there, I think, in '97.

The president will give a speech, probably, as I've heard, at Tsinghua University in Beijing. There may be some kind of an Internet component to one of these events where President Obama might have an opportunity to engage with netizens. President Hu Jintao has done that in the past, engaged with Chinese netizens; and that's something that no U.S. president has done before.

There's a big expo being planned in Shanghai in 2010. One of the possible things on the agenda is to have the president go visit the site where they are going to build the U.S. – I don't even think it's started construction yet; I could be wrong; they're still fundraising. But Secretary Clinton has been very involved in that and that might be on the agenda.

In terms of deliverables for this visit, there's going to be a joint statement. And again, that is still being negotiated – lots of brackets, I hear – (chuckles) – in a very long document. I think the highlight will be the interdependent nature of the U.S. and Chinese relationship, both in economic and security terms.

As Mike mentioned, it was April 1st that President Obama first met with President Hu in the margins of the G-20 in London, and that is where they agreed on this label of a positive, cooperative and comprehensive relationship. This trip is an opportunity to really put some meat on the bones, if you will, of this statement; what is it that we are actually going to cooperate on? And in terms of comprehensiveness – how many things are we going to work on together?

The U.S.-China relationship has been, in the past, mostly bilateral and increasingly regional. Under this administration, we're seeing it increasingly focus on global issues: things like climate change, of course, the economic/financial crisis. And this is, I think, really a test of whether or not our two countries are going to be able to step up and do much on these really global issues.

The U.S., I think, would like to see China take on more responsibility, not just on those issues but also North Korea and Iran. There's some discussion of some form of cooperation on Afghanistan. There may be an announcement that the Chinese will train police in Afghanistan; that's something that's still being looked at. And I expect no breakthroughs on either North Korea or Iran.

I agree with Mike that on climate change, we will see something on clean energy cooperation; that's really where the focus of the discussions is. When Hu Jintao was in New York at the U.N., he said that China would reduce its emissions. Of course, did not set any

target, and there's no expectation that in the run up to Copenhagen that the Chinese will agree to set a target.

I'll just say a couple of things on North Korea and then on the security issues for APEC. The Chinese premier, Wen Jiabao, was in Pyongyang and elicited a statement from Kim Jong-Il that they would like to see bilateral talks with the United States, and, depending on the progress of those talks, that there could be a multilateral discussion.

What he actually said – although it was reported that that could include six-party talks – he actually told the Chinese that it could include three-party, four-party or six-party talks. And my impression from talking with the Chinese is that six-party is least desirable among those choices.

My impression is that the administration is continuing to engage bilaterally. We just had Sung Kim out in San Diego talking with the North Korean representative that was participating in the Northeast Asia Cooperation Dialogue out in San Diego.

And I think that there is a willingness on the part of the Obama administration to send Steve Bosworth, our special representative, to Pyongyang. The word is there will be no more than two meetings, and my expectation is that this will happen after President Obama's visit to the region.

But the North Koreans continue to avoid making any clear statements on whether they will return to their commitments under the six-party talks. And that includes the September 2005 agreement, the February 2007 agreement and their commitments to, of course, denuclearization.

Finally, just in a couple of sentences, there are some security issues on the agenda for APEC. Not likely to see this in any joint statement, the emphasis in APEC is on the "E"; it's on "economic." There are some reservations by some of the parties to including security issues in a joint statement, but nevertheless, there will be some discussion. And those issues are likely to be North Korea, Burma, the NPT and Iran.

ERNIE BOWER: Should I just jump in? Hi, everybody. First of all, if I seem a little grouchy this morning, I was born in Philadelphia – (laughter) – so I hope that explains that.

MR. SCHWARTZ : Me too.

MR. BOWER: Were you? Yeah, all right. President Obama will go to Singapore for APEC, as Mike mentioned. He's going to be there with a good portion of his economic and foreign policy team. I think that's important to note. This is the first time in a while that we've had the secretary of Treasury along with the team. Geithner will be there; Hilary Clinton will be there from the State Department, Gary Locke from Commerce and Ron Kirk from USTR.

Expectations at APEC, you know – it's in Singapore. Singapore is the most trade-dependent country in the world. Trade in Singapore is equivalent to over 300 percent of GDP.

So Singapore's sort of the canary in the coal mine on trade. If trade stalls or dies, Singapore will be the bird on the floor in the mine. And that's not good.

Also, Singapore is right in the center of ASEAN, which is a 10-country group of countries that's comprised of 650 million people, over $1 trillion GDP. If you don't count Canada and Mexico – since they're adjacent to the United States – it's our third-overseas-largest trading partner.

So trade is very important to this group of countries, as in terms of trade as a percentage of GDP for all the countries of ASEAN, it would average just over 100 percent. So trade is going to be important, as Mike either said or alluded to.

I don't think the Americans are going to be able to arrive in Singapore and do the needful, as far as the Asians are concerned, on trade. There's going to be a lot of pressure on the United States to say something about a strong commitment to wrapping up a Doha Round – and I think maybe Steve will talk a little bit more about that – for a number of reasons: politics in this town, health care, Afghanistan, others. I don't think the White House is willing to use those chips and they're not ready to talk about trade like Asia would like it to. So there's going to be a little – a strange dynamic out there.

There are meetings going on, probably as we speak, inside the administration right now; trying to decide what they can do on trade – and maybe Steve will talk a little bit more about this. That will color the tone a bit, I think.

But we can't forget that in Southeast Asia, President Obama is personally extremely popular. I think, you know, Mike pointed this out but particularly in Singapore and Southeast Asia, Obama has got better popularity ratings than he does in Virginia and Wisconsin in places like Indonesia and Malaysia. So it's interesting; I mean, there's a rock star factor there. And I think he'll enjoy that out there; those of you that are traveling, you'll feel the love.

In terms of APEC, I think – as Mike pointed out – there are going to be a couple themes that the White House probably doesn't want to emphasize, that will probably make headlines. There will be a lot of reporting on Burma. Assistant Secretary of State Kurt Campbell and the U.S. ambassador to ASEAN, Scott Marciel, just are coming out of Burma today. I guess that's right, yeah. They've been there for a couple days; they met Aung San Suu Kyi; they met the prime minister.

In a way, this will be a very positive story in Asia because I think a lot of our friends in Asia have been waiting for the United States to step up and try to do more on engagement in Burma. That's the new policy; that's what Campbell and Marciel were doing there. There's going to be a lot of discussion about that.

Significantly, while the president is in Singapore, he will sit down for the first time with all 10 of the ASEAN heads of state. I'd be happy to give more background on who those 10 are. But for the first time, the Burmese are at the table, which is a new step for the United States. They're at the table in a head-of-state capacity.

In terms of the U.S.-ASEAN summit, I think what's happening here in the United States basically is getting the form right, but the substance of that meeting – don't hold your breath for big home runs coming out of that meeting. I don't think there will be significant new statements about new money or new training. I think, in a way, being there is what's important this year.

The Vietnamese are very interested in promulgating the idea of a continuation of the U.S.-ASEAN summit happening next year. They are chairing ASEAN next year. They are pushing the administration, the White House, to come to Vietnam next year. It's the 50th anniversary of U.S.-Vietnam relations next year. It's also Hanoi's 1,000th anniversary. These are important things when you're in Hanoi.

And it's really interesting because I think there's a confluence right now of U.S. and Vietnamese interest in strengthening ASEAN. We both want to see a strong ASEAN – the Vietnamese particularly so because they live, and have lived for thousands of years, on China's border. And I think when they joined ASEAN in 1997, they were very disappointed that ASEAN was not as effective a group to stand up to the Chinese. And that is going to manifest itself.

I think we'll see some talk and some discussion out of the U.S.-ASEAN summit, or at least press stories about the South China Sea and the Spratlys. This is a big issue for the Vietnamese. It's a lesser issue for the Filipinos. But there are six countries that have claims on the South China Sea, and the Chinese are extremely – well, I think the South China Sea is one of those issues where the Chinese have not been able to get over themselves.

You know, the ideological sort of tone that China had 10 years ago, they abandoned that – when the Asian financial crisis started, the Chinese really took a giant leap forward on diplomacy. They really exercised a charm offensive that really helped them advance their interests in Southeast Asia. And they were able to listen and talk.

The one issue that I think they haven't been able to really come around on is the South China Sea. And it's a very delicate issue. The Southeast Asians, including Lee Kuan Yew, who was here last week, have encouraged the United States to, you know, be engaged in this. The question is, how do we do that? it's not an easy question, I think, for us. And it's not an easy issue for the Chinese. So I expect this to be one of the issues that's covered.

The president will also meet with President Yudiono. He's the president of Indonesia, which, as you know, is the fourth-largest country in the world; it's the largest Muslim country. President Obama decided not to go to Indonesia. I think that was handled probably pretty well here.

I won't go into it unless there are questions, but I think getting the U.S.-Indonesia relationship right is going to be a very important part of U.S. policy in Southeast Asia, and an important part of this trip. There are some real problems; we've got real, real serious trade issues with Indonesia that are sort of at the company level, regional level and bilateral. We need to get

those back on track, and hopefully, President Yudiono's new cabinet will be able to do some things that his previous cabinet was not able to do.

I think we also want to do a lot more work in Southeast Asia on the health-care area. That's been a problem particularly because of a difficult health minister in Indonesia. She's gone now. I think there could be an opportunity to maybe do more in the area in Indonesia; also in the rest of Southeast Asia.

On climate change, I agree; it'll be a key theme. The United States has done a good job of engaging in key issues. Hillary Clinton took the initiative to join in with the Mekong countries and talk about the damming of the Mekong River. I think that engagement in mainland Southeast Asia is particularly appreciated by countries like Vietnam, Cambodia, Laos and Thailand. So I think I'll wrap up there. I'm happy to answer any questions you have about some of those specific issues.

STEVEN SCHRAGE: Thanks. I'm Steven Schrage. I'm the international business chair, Scholl Chair in International Business here – kind of, coming at this more from my background at USTR. And then I went on working with Colin Powell on strategic issues and chair as the G-8's Crime and Terrorism Group. I, kind of, have an appreciation for some of these multilateral efforts. But also, I would say, kind of, a healthy skepticism of how much they can get done in the current context.

And I think it's been hit on a couple times here. I think there are other issues that the White House or others may want you to focus on at this point in time. But, kind of, in the context of this being the first APEC and, really, the first trip since the global economic crisis turned a lot of these nations' economic assumptions on their head: how you're going to revive global growth, what's going to happen with trade is really going to be the elephant in the room for a lot of these countries.

And it's one where, currently, the United States doesn't have a lot to say. And it's going to be a critical question that's going to come out throughout this trip. I think both for APEC and for President Obama, the question will be: Is there a roadmap to revive trade or to put things on the right course? Or, kind of, as U.S. and APEC efforts stall, are they going to be left in the rear view mirror by Asian countries, by new groupings, that are going to move forward – potentially without us.

And I think as America confronts this issue, we're going to see a lot of different things over the next year that are going to push this to the agenda. You're going to see it at this trip, at APEC and then capping next year with the APEC in Japan that Mike mentioned with the G-20 in Korea. It's really going to raise questions about do we have a comprehensive way forward?

To start with APEC, which I think has a great deal of potential; was launched by one of my former bosses, Bob Zoellick, and really injected the U.S. in the discussions in Asia – along with the other countries in the Americas at a critical time. Helped push forward the WTO. And as you heard, it's got some very impressive stats. It's 50 percent of world trade, 60 percent of

U.S. exports. But what I think what people would say over the last several years it's been somewhat less impressive in terms of actual results and seizing that capability.

And the question is, can it be known for something in terms of real substantive achievements rather than, kind of, those famous but somewhat awkward pictures of world leaders in colorful shirts or just continuing to have this kind of dialogue going forward? It's facing challenges in its own backyard. As been mentioned, ASEAN is moving forward – trade deals. ASEAN plus 3, ASEAN plus 6, there's an East Asian Summit, there's talks of an East Asian Community that might exclude the United States. So as a regional grouping it's facing challenges.

But then as a global grouping, the numbers sound very impressive – it's 50 percent of global GDP. But then you've got a G-20 that was just launched that is 80 percent, 85 percent or higher of global GDP and includes – almost half of it's from APEC. So it's, what is it? What does it serve this global role? Is it a regional role? Should it be tackling the security issues that Bonnie mentioned? It's, kind of, really struggling for a way forward and how it fits into this new global architecture.

At a time when President Obama has said, and others have said, we need to, kind of, rationalize these structures going forward. So as you well know, going from summit to summit to summit to summit and figuring out how we structure these overall. I think President Obama, the administration, face some similar questions, particularly on trade. I don't think anyone would fault the Obama administration with doing a strategic review of trade. I think it was greatly needed.

Trade had really hit a brick wall in the last years of the Bush administration. We didn't see a lot of substantive progress on FTAs or the Doha Round. But now we're reaching a time where this kind of void in U.S. leadership as it drags on, is being filled by other nations rapidly moving forward. And we're really losing our window in terms of ability to lead. I think you can contrast this – it's a pretty clear picture and a sharp contrast between the U.S. and Asia.

You've got Asian countries – dynamic center of growth, World Bank estimates of 7.8 percent of growth, driving the global recovery – engaged in negotiations throughout the region and the world – over 16 negotiations already completed. And then, in contrast, you've got a United States where there are questions about high unemployment, whether we're going to have a jobless recovery. And our FTA efforts stalled.

We've got two with the region in contrast to those over 60 – and the last one was a half decade ago. Our major agreement with Korea is up in the air without a clear way forward. And Congress hasn't even given authority back to the president to get back in the game and start negotiating on these things which could hold back things like the Trans-Pacific Partnership that's been discussed or ASEAN FTA negotiations – things that are being kicked around.

So it's really, kind of, a – it's going to be a critical test for the Obama administration both regionally but also globally. As the WTO stalls, is it time for a new approach to maybe look beyond regionalism to pull nations together? And that's something we can discuss more. And

then, finally, just quickly I think we've touched on most of the specific bilateral issues. But just from a trade perspective, a couple that may come up. There's been a lot of talk about China and the United States forming a G-2 to drive the global agenda.

But I think that may be premature when you're seeing major conflicts of the United States or disagreements on things like intellectual property rights, currency, services. So I think a lot of focus will be, kind of, avoiding a trade war between China and the United States or tamping those fears down at a time when you've had U.S. tire tariffs and threats of Chinese action against the U.S. auto industries rather than the China and U.S. coming together with a concrete agenda to drive world trade.

Korea, I think, in addition to Japan which I think Mike addressed in depth – one thing on Korea is that I think it's one of the most underappreciated but critical relationships given the dynamics that are in the region right now. And obviously the elephant in the room in that agreement is the U.S. – Korea FTA and where that goes forward. But another key part is going to be the G-20.

Obama's legacy is really wrapped into this – whoops, Mikey – but just to – Mike, you alright there?

MR. GREEN: Yeah. It's all below camera level anyway. (Laughter.)

MR. SCHRAGE: Well, we survived that catastrophe. But yeah, just the G-20 is going to be a chance to reboot the relationship. Obama's legacy – inherited it from Bush but he really chose to drive it forward, make it the centerpiece of the global economic cooperation efforts. And so both his and Korea's legacies are really going to be tied to that. So that's an opportunity to reboot it. And just in closing I'd say a lot of these statistics you, kind of, can lump together.

We've, kind of, done a lot of different charts showing, kind of, how the U.S. has fallen behind on Korea, trade, the FTAs so – and how the spaghetti bowl of almost sweeping the entire world is really tilting the playing field against U.S. exporters. So I encourage you to take a look at those if you want to get more of a handle on how some of these statistics play out with Korea and also, globally, with the U.S. and Asia.

MR. SCHWARTZ: With that, we'll take your questions. But I should say, it's a good thing that I lost weight because it looks like we're going to have to trade suits today. (Laughter.)

MR. GREEN: It's a good thing CSIS serves cold coffee. (Laughter.)

MR. SCHWARTZ: Yeah. Let's open up to questions. George?

Q: George Condon with Congress Daily. You said a lot of interesting things about trade but there's a whole group of questions that still are out there. I mean, Mike you mentioned business leaders are concerned, wondering what the commitment of the president is. Are the foreign leaders also having that doubt? Do they think that he's a protectionist or a free-trader? There's been some talk about the president having to give a speech on his trade policy. Is that

something you're hearing about? And finally, are the other leaders going to wait for the United States or are they ready to just move ahead and leave the United States out?

MR. GREEN: APEC has a business – Asia-Pacific-wide business organization associated with it called ABAC. And ABAC has called for more. More in terms of trade facilitation, more in terms of terms of using APEC to define green goods and services – this is one of the big debates in WTO – can we lower tariffs on goods and services related to climate and energy. So the business community is asking for more. As a political matter, the U.S. business community, I think – the Chamber of Commerce is now in celebrity death match with the White House over health care and climate change. So I don't get the sense that the business community in Washington is throwing a lot of weight into this fight yet.

But you talk to people and they're worried about it because a lot of these free trade agreements, there are over 70 in Asia, are, frankly, fairly what you could call low quality. They're not necessarily consistent with WTO rules. But they're down payments. And they're beginning to build relationships. And some of them, especially with the ones the Koreans are doing with Europe and now Japan is increasingly interested in doing some with Europe – those would actually have a significant trade distorting effect and hurt U.S. business. So this is a growing problem.

APEC's the best way for the U.S. to start countering it with proposals for region-wide and transpacific agreements in addition to Korea and other bilateral things like TPP, Trans-Pacific Partnership. And I think USTR and State would like to move on these. But they have a red light from the White House because of the domestic politics here. So business is not happy. The Koreans, underneath it, are not happy. They've invested a lot of political capital into the agreement. They think they need it to deal with their growing dependence on China, economically.

And within the ASEAN process, generally – Ernie can say more – the ASEANs don't like big, giant, trade-liberalizing agreements but they'd like something from us. So I think there's going to be a certain amount of frustration from the business community and other leaders in the region. Even Japan – the new government proposed a free trade agreement with the U.S., which is very ambitious.

So I think there's a sense that the U.S. should be doing more and you'll hear that on this trip. I don't know if others want to –

MR. BOWER: Just a quick follow-up on that. We have one FTA with the ASEAN countries. The U.S. – Singapore FTA is, kind of, considered the gold plated model that we'd like to pursue in other countries. But we have two on the table that are just sitting there just like the U.S. – Korea FTA that we started to negotiate and have just been dropped as part of this trade policy review: the U.S. – Malaysia FTA and the U.S. – Thai FTA. I don't think the Thais are ready to do anything right now because they're focused on their own problem. But the Malaysians probably are ready to come back to the table when we are.

Now, I think the administration has been sending pretty careful signals that, hey, we're not gone on trade. Please wait for us. We've got to get health care done. And when we do that, we'll be back to the table on trade on some of these regional agreements and some of the bilateral agreements. Do Asian leaders believe that? I'm not sure. I don't – to be honest with you – I don't think the guys in Southeast Asia that I deal with – they're not sure the Americans are going to make the corner.

Does Obama get health care? Does he really use his political chits this year and will he be back to the table on an aggressive trade policy? Can he manage a Democratic Congress on trade? I think there's a lot of questions out there. And I don't see, as I look around my posse of friends in Southeast Asia, I don't see a lot of people convinced that the Americans will be able to come to the table next year and, particularly, not at APEC with a robust position to be able to exercise on trade.

MR. SCHRAGE: I think what the big shift has been, it used to be that people thought they would, kind of, wait for the United States to come up with an agenda and go forward. But I think, because of this lag and this void, increasingly now the U.S. is turning to these partners and they are moving forward. They're looking for other ways forward. And while there was this assumption that the United States could just, kind of, sit on the sidelines and then jump in and, kind of, dictate the terms – particularly with Asia's dramatic growth, I don't know if that's the same case that it was before.

And I think you're seeing that flow through all these negotiations and you are seeing, again, the skepticism of whether the Obama administration for all the positive statements it said since it came into office in contrast to some of the campaign statements – is it going to invest the political capital? And is Congress going to give it the authority to move forward on these? And I think, as opposed to previous points in time where you're seeing this dramatic rise in Asia and the rest of the world, we're really at risk of falling behind if we don't come up with a coherent strategy soon.

And I would say it's both in terms of engaging Asia bilaterally but also overall with the WTO stalled. I mean you look at the world now, it's a sea of conflicting agreements and spaghetti bowls and no real common standards around the world. And without U.S. leadership, it's going to give the ability of other nations to drive those issues. One thing I would point out too, they mentioned the EU – Korea FTA and, I mean, I think this is really a critical and probably not as well understood factor.

I mean, you look at the combined economies of Korea and the EU and it's larger than the entire BRIC – Brazil, Russia, India and China combined – and again, very competitive products with the United States. So you're seeing them move forward in ways while we're, kind of, stuck in neutral or in park.

Q: Thanks. Mike, I wanted to ask you – you mentioned Afghanistan as being something that will, kind of, overshadow and take – not only overshadow some of the stories but take a lot of the president's time while he's on this trip. And given that there are so many issues in Asia that sound like they really need some urgent attention: the Japan relationship, the trade

relationships, obviously, the relationship with China. From your experience planning these trips and going on these trips, how much of a risk is it for the president to have this huge oxygen sucking issue, kind of, trailing him and going along with him?

MR. GREEN: Well, in the Bush administration we faced this on Iraq. It can have a pernicious effect on the way over. It's a long flight on Air Force One. They have exercise bikes and showers for the president. You can do a lot of working out, a lot of sleeping. It's a much more comfortable flight than the rest of us are used to. But they do a lot of work. And they get the President ready. They think through issues.

If a lot of that time is spent thinking through health care, thinking through – inevitably there are other issues on the President's plate. But if it's crowding out the Asia agenda, that's something of a loss. And then when you're in region – Afghanistan related stories tend to get a big pump. So in Japan one of the big uncertainties is will the Hatoyama government be able to come up with something for a Japanese contribution on Afghanistan.

This government has not fully coordinated a lot of its positions so it's hard to say exactly what their position is. But, in general, it appears they're committed to pulling out their ships in the Indian Ocean which have been refueling the Pakistan Navy and others to help on the fight against terrorism. And they're trying to, kind of, come up with something that will show they're serious about international contributions. But they're in a coalition with socialists and others who don't want to send the military. And so they're talking about vocational training of former Taliban and things like that.

So that's going to – because the Afghanistan is hanging over, that's going to end up being, I think, a bigger story. The Koreans have actually announced that they are going to send some troops to Afghanistan which is really quite impressive because you may recall Noh Mu-Hyun promised that he would not send any troops to Afghanistan in order to get some Korean missionaries who had been kidnapped by the Taliban released.

So Lee Myung-Bak's showing some real courage. But I think this will, sort of, highlight the Afghanistan stories. These are not the crucial issues for U.S. relations in Asia. But they're going to be big stories because of what's on the plate for the U.S. president internationally.

MR. SCHWARTZ: Kenji.

Q: Yeah, Mike, the first visit to Japan that's taking point which is Futenma relocation. And obviously the Japanese government's side is not going to resolve it before his visit. But I wonder how President Obama's going to work on that issue in the first meeting and what's the effect of that issue to the overall U.S. – Japan alliance? And also Bonnie, how then China is going to see this issue on the side of China?

MR. GREEN: Well, yeah be careful the coffee's – (chuckles) – well, the Futenma issue is not something that either, I think, President Obama or Prime Minister Hatoyama will want to be the lead story. There are a lot of issues they want to emphasize instead like cooperation on energy and climate. There are also going to be some U.S. – Japan agreements on cooperation on

smart grid and other ways to reduce greenhouse gas emissions. And they're both going to want to demonstrate that the alliance is strong. It's in both Hatoyama and President Obama's interests for their domestic publics who support the alliance and in dealing with China – to show that we're not going wobbly.

But bases are at the very essence of the strategic bargain between the U.S. and Japan. If Japan's not willing to host U.S. bases, the whole arrangement that Asia has grown used to over the last 60 years starts to come apart. And I don't think the new government in Japan wants to kick all the U.S. bases out. But they've basically taken on or challenged the agreement we have to rearrange bases in Okinawa which is a big, big deal – costly and complicated.

And there is no real alternative and that's becoming obvious. So the foreign minister, Okada said we're going to put everything in Kadena, the Air Force base. But the local mayor in Kadena said, over my dead body. So that one's not going to happen. They've explored sending more of the Marines out of Okinawa but the U.S. military said no, no, we can't do that. We already have a deal that says the most we can do. It would seriously hurt our operations if you tried to move helicopters hundreds and hundreds of miles away from the Marines in Okinawa.

And I think the Japanese government is recognizing that there aren't very many options but they don't want to say that. So the prime minister said, I'm going to put the decision off. Some of these issues that the Japanese government has put forward like investigating secret nuclear deals or East Asia Community are fuzzy enough that you can, kind of, put them off and, sort of, keeping studying them and find a way past them. But this one will only get worse with time because, as you know, there are elections in Okinawa. If they don't move soon, the anti-base movement will gain more and more steam and the entire deal will come undone.

So it's, not making a decision is the same as saying no. And that's why Gates had no choice but to be quite tough. I think Obama as president will have a bigger agenda and want to emphasize other things. But on that issue, I'm pretty confident that privately, he'll have the same line as Gates, and publicly – he may not put it in a speech – but if he's asked, I think he'll end up saying similar things to what Gates said.

There's a press line in Japan that DOD and State and NSC are all divided on this. I don't think that's true. I think this one's pretty obvious to the administration, that they have to get a resolution.

MR. SCHWARTZ: Questions?

MS. GLASER: There was a China component to that question. Were you asking how the Chinese look at the U.S.-Japan relationship? Well, first, I would say that China, I think, has some concerns and uncertainties about the new government in Japan. On the one hand, very important that Prime Minister Hatoyama said that he would not visit the Yasukuni Shrine – this is very important, sort of, prerequisite to have a good Sino-Japanese relationship.

But the Chinese see a lot of potential unpredictability. They were very used to the LDP and the predictability and the relationships, and so I think this is sort of a new equation for them.

Having Japan pay more attention to the region, I think the Chinese would see as a good thing, sort of balancing the alliance. The Chinese have been critical in the past that there's been a real overemphasis by Japan on the alliance.

But if that whole relationship really were to start coming apart and affecting our bases and U.S. presence, I think there are potential dangers that the Chinese would see there. I don't think the Chinese are looking for a precipitous U.S. withdrawal from the region.

Q: Sean Sullivan with NHK. Thanks very much for taking the time. With regard to the human rights issue in China, what sort of public posture can we expect to see from Obama in these various town halls or speeches or public statements that he might make while he's there?

MS. GLASER: Well, Mike might have some thoughts on this, too, but I think that this is not an issue that the president will shy away from. It is important for him to say something on the importance of human rights on our agenda with China. I don't think that's going to translate into him meeting with dissidents – not there; potentially down the road here. Prior presidents have done that and President Bush did when he was president.

But I think on this trip, it will come in questions from the press and maybe part of the public speech that he gives at one of the universities. I doubt we will see this in the joint statement. But I think that the president will state that we stand for greater freedom of religion and interaction – people having more access to the Internet. I mean, in Xinjiang, Internet access has been shut down since the July 5th protests there. People continue to have a lack of access.

There's obviously a lot of sites that continue to be blocked. So I think there will be a couple of angles that he will focus on. Mike mentioned the Dalai Lama and Tibet policy, and I think that, that will be a very important component. I think that the decision by President Obama to not meet with the Dalai Lama when he came to Washington was part of an overall approach that the administration had to convince China to re-engage with the Dalai Lama's representatives, to be more forthcoming and more sincere in that dialogue. And I think that this has not really borne fruit.

Instead what we have seen is, the Chinese have come out with a new statement putting out three preconditions for re-engaging with the Dalai Lama's representatives. One of those is a demand that the Dalai Lama not be able to visit foreign countries. And of course, as a spiritual leader with supporters who are Buddhists all over the world, the Dalai Lama is not going to stay at home and not visit foreign countries. So I think China's position has hardened, and this was outside the expectations of the administration.

So I think President Obama is going to be looking for some softening of that position, because he needs – he is under a lot of criticism, I think, here for having made that decision to not meet with the Dalai Lama, who visited Washington, D.C. And it was the first time that a president did not receive him – the Dalai Lama, his holiness – in 19 years, on a D.C. visit.

MR. GREEN: Let me just add a few points. And I saw the Dalai Lama when he was here, and he was willing to, obviously, give the president a chance to try this new strategy. I think, frankly, he had no choice. The assumption was that this quiet approach would yield results, and as Bonnie said, it is already obvious that the Chinese have pocketed this concession and are raising the ante.

And just to give a few more examples, a number of small, European countries, like Denmark, whose leaders saw the Dalai Lama are now being pressed by the Chinese to do various public statements promising never to see the Dalai Lama again before trade agreements will happen. Australian Prime Minister Kevin Rudd, who saw the Dalai Lama before, after the president, chose not to – declined to see the Dalai Lama.

So this has had a really negative ripple effect internationally for the Tibetans. And as Bonnie pointed out, rather than softening their approach on Tibet, China has actually pocketed this and raised the ante and made more demands. And even the idea that the president's quiet approach would lead the Chinese to re-engage with the Dalai Lama's representative, Lodi Gyari, is a bit of a false target because that was going to happen anyway.

The real problem wasn't that they were engaging; they were, periodically. The problem was, there was no progress in the talks. So I really hope that on this trip, the president not only presses privately but makes it clear publicly his support for the Dalai Lama. It's not just about an important international spiritual leader; it's a measure of how China will treat the weak as it grows more powerful.

And he probably can't do it on this trip, but I hope very soon thereafter or maybe even beforehand, there's a clear announcement from the White House when they're going to see the Dalai Lama, because this is really setting the Tibetans back in their efforts to get some reasonable cultural and economic autonomy within China's constitution.

Q: There's been some chatter abroad, not over here, that the president, while he's in Japan, could visit Hiroshima. Could you talk a little bit about how that would be perceived abroad in the Asian countries?

MR. GREEN: I don't think it's going to happen. First of all, he doesn't have enough time – he's not in Japan long enough. Some people have said maybe he ought to go to Nagasaki. It's a little bit different because there is some historical debate about whether Nagasaki was really necessary. But it's such a complicated issue.

I've been to Hiroshima. I actually – a few months after I left the White House, I was asked to be the keynote speaker, at that time, in the Nagasaki annual commemoration. And it's very moving; it's very meaningful. Our ambassador – new ambassador – John Roos went and found it very powerful. I think the president could give a good speech. It would be important symbolism. But it's so complicated politically.

You don't want a gesture like this to actually cause a backlash, and I'm not sure President Obama is in a place right now with American veterans or conservatives or other domestic points of view on this issue that it would help.

Q: (Off mike.)

MR. GREEN: Well, I mean, you hear two arguments about this. One is that if the president of the United States made a trip to Hiroshima and said some conciliatory things – I don't know whether an apology would be politically possible back here – but one argument is, that would also encourage Japan to go out and make more conciliatory statements towards Asian neighbors.

The other argument is that there's no moral equivalency in trying to project moral equivalency on these different aspects – one, a move that people saw as ending the war; another, a move that started the war – would just create a debate that would be unhelpful. It will happen someday – an American president will do this; it may even be even President Obama – but not on this trip.

Q: Could you talk a little bit about the sightseeing opportunities for the president on this trip? In China, for example, what would make sense for him to want to visit? What places should he visit and are there any places he might visit that would offend the Chinese?

MS. GLASER: Well, my understanding is that he's going to the Great Wall and the Forbidden City. I don't think either of those would be seen as controversial, either here or in China. He will be, obviously, showing some respect to China's great heritage and history by going to the Forbidden City and the Great Wall. I don't think that there's anything else, because he will really just be in Beijing and Shanghai. I think the touring will be done primarily in Beijing and I don't think that the president would go see anything that the Chinese would find objectionable. That's my sense.

Q: I'm wondering you can compare, sort of, the overall context of the trip to the Cairo trip, especially in regard to China. If Cairo was about, sort of, changing hearts and minds overseas and demystifying Islam for Americans, what's the point of this trip? A lot of Americans are kind of scared of the Chinese, and what's he – is he trying to, sort of – is he trying to make a statement to Asians, and what's the statement?

MS. GLASER: Well, I think this is a challenge for the president because, as Steve was talking about, there is that sort of notion of G-2 out there, and everybody in the region and beyond the region is worried about a U.S.-Chinese condominium. And so the president is calling on the Chinese to step up, to do more to address global issues, but at the same time has to say that China is important to addressing these economic issues, climate change, but we need the rest of the world as well, and it's not just the – these problems are not issues that the U.S. and China can manage by themselves.

I mean, there are also other problems, I think, in terms of messaging to the American people. There are a lot of concerns here, I think, that persist in terms of the Chinese taking away

our jobs and owning all of our Treasury bonds, and are they going – people worry, are they going to sell them overnight, which would be, of course, shooting themselves in the foot and they're not likely to do that.

But you know, I think the president does need to talk more about the trade imbalance and China's currency and the need for China to continue to move toward a floating currency, which they have sort of made, in principle, a commitment to, but aren't moving to, and moving their economy more towards a consumption-driven economy rather than relying so much on exports.

And so those are, I think, challenges also for the president, to send those messages here so that people in the U.S. feel a little bit less concerned about the threats that they see economically from China. But you know, I see this as a really difficult balancing act, and when the president is looking for Chinese cooperation on all of these really important issues and security issues and economic issues, there is, I think, a risk that other people will process this as, the U.S. and China are out there to solve all these issues by themselves.

MR. GREEN: The Cairo speech or the president's U.N. speech will not work in Asia, I think. And in particular, the themes about, you know, we're beyond the age of alliances and balance of power and so on and so forth, because the reality is, Asia is not beyond the era of alliances and balance of power. And so it's a tough balancing act.

On the one hand, he does want to emphasize that we're in an era where global challenges like climate change and terrorism and proliferation require cooperation and that China has got to step up and we want to work with China. On the other hand, if he stops with that, it's going to send a really unnerving message to Korea, Japan, India, Singapore and other friends and allies in the region.

So he's got to find a way to also say values matter, which is one of things that bonds us to those countries, that alliances matter to us a lot, that we have a role in maintaining peace and stability. There's enough of the Cold War left in Asia that it would be counterproductive to pretend it's not there.

And so far, the president's speeches haven't dealt with that latter part. They've mostly been – and in Europe, that plays great – the sort of aspirational post-nation-state cooperation on global issues. In Asia, the Asian nation-state is alive and well; sovereignty, rivalry, balance of power are as much a feature of that landscape as cooperation on global issues. So he's going to have to do a different speech from Cairo and Berlin and New York to play well in the region, particularly with the allies.

MR. SCHRAGE: I was just going to say I think his greatest challenge on this trip, given that he's going to be away two weeks – almost two weeks – is, it may come politically at home. When you look at polls of the United States people and what are their top priorities right now, things like Afghanistan or the war on terror – they're all at 1 or 2 percent – and it's 58 percent economy or jobs, things like the deficit.

And he's been – so spending this much time out of the country in Asia, he's got to really be able to make the case why these alliances matter, why this cooperation matters, and why it's going to hit the bottom line for the American people back home. And when the major headlines so far in some of these relations, like with China, have been about Chinese tires unfairly coming into the United States, how do you create this perception that engagement and forward movement on trade and openness to the world is a positive for the American people? So I think that may be the challenge coming out of this in the weeks ahead.

MR. GREEN: Can I really quickly say – and I worked on the McCain campaign and I worked for President Bush – President Obama deserves enormous credit, for the reasons Steve just said. Given everything that's happening that's so critical to his presidency at home, he's taking almost two weeks in the region that, in the long run, is really going to be the most critical strategic relationship for the United States.

So I'm glad you mentioned that because he deserves a lot of credit for making the political choice to take the time to do that. Bill Clinton skipped two of these APEC summits because of domestic political challenges comparable to health care, and President Obama, so far at least – knock on wood – is doing the trips, so kudos for that.

Q: John Zang (ph) with CTi TV of Taiwan. A few weeks ago, Deputy Secretary of State Steinberg, in a policy speech, urged China to give strategic reassurances to the U.S. on a number of important security and international issues. Will that replace the so-called "estate-holder theme" in the summit in Beijing?

And also, over the past few months, Chinese officials have been talking about Taiwan as being the core interest of China's and urging the U.S. to respect China's core interest. Will that be part of the joint statement that the two sides will sign at the end of the visit? And also, are they talking about arms sales to Taiwan that the Chinese have been pushing the U.S. to stop? Thank you.

MS. GLASER: On the question of Deputy Secretary Steinberg's speech, I think it remains to be seen whether other parts of the government are going to embrace his concept of strategic reassurance. My sense is that, that speech was not very well-coordinated, unlike the "responsible stakeholder" speech that was given by Bob Zoellick in September, 2005.

And my own expectation is that the president is not going to use that language. If he does not, I think that the Chinese will not really take it very seriously. My understanding is that strategic reassurance will not be used in the joint statement. As I said earlier, they will be highlighting the relationship as an interdependent one.

I believe that there will be a reference to China's core interests in the joint statement. My understanding is that the way that this is being worked is sort of Shanghai-communiqué language, where one side acknowledges what the other side's position is. I don't think that the United States accepts that China has core interests and we have core interests and we should necessarily stay out of each other's way.

And Taiwan is certainly one of those issues, where we have our obligations and our commitments and our interests and our relations with Taiwan. But I fully expect that this formulation of Xinjiang, Tibet and Taiwan as being China's core interests will be expressed by Hu Jintao, and may, in fact, be mentioned in the joint statement.

And I think that it certainly would be not surprising to me if Hu Jintao raises the issue of arms sales to Taiwan, probably not specifically in terms of what weapons we should or not sell; I think it would be a general warning to President Obama to steer clear of that and not to set back the great progress that has been made in the U.S.-China relationship and, most recently, the resumption of the military relationship.

We recently had a very successful visit here by the vice chairman of China's Central Military Commission, Xu Caihou, with agreement on seven issues, areas and how to expand cooperation. And so I think that there may be some signaling there about, we need to continue to sustain the momentum and move forward, but I don't think that there will be much focus by either president on the issue of Taiwan.

Q: (Off mike.)

MS. GLASER: We might have some different views on this. I think that this was an instance of the State Department and Deputy Secretary Steinberg organizing his speech and then trying to – instead of getting buy-in before, looking to shape support for it afterwards. There has been some criticism from the right, and I think that is complicating the willingness of other people to get onboard with this concept.

I think that also, people look at strategic reassurance and some say, well, is it just China that's going to give us strategic reassurance or are we also saying that we should reassure China? And if we're doing that, in what ways are we going to do that? And so people on the right say we really ought to put the whole problem in China's lap and they should be the ones reassuring us. This is, at least as Jim Steinberg presented it, a two-way street, and although his speech did talk mostly about what the Chinese ought to do to reassure us, nevertheless, in principle, it provides the Chinese with an opening to come to us and say, well, we want strategic reassurance on the following set of things.

I don't sense that there are great divisions in the administration about how to move forward with China. They might emerge later, but I do think on this language, that there are definitely some differences.

MR. GREEN: You know, when Bob Zoellick did the July, 2005 speech where he called for China to be a responsible stakeholder, he ran that by the – I was in the White House – he ran that by the White House, he ran that by DOD, everybody was comfortable with that.

I think Bonnie is right – this was more of an exploration of themes that you probably won't hear much about after this, because there are concerns about whether this reassurance concept means that we have to stop doing what we do to defend our allies or stand by the Taiwan

Relations Act, which was not supposed to be the intent. But that's now being questioned so I think you probably won't hear as much about it, would be my guess.

Q: Thank you. Jim from The Straits Times. Question on Myanmar for Ernest and Mike. Obama will likely meet with Than Shwe at the U.S.-ASEAN summit. Is that meeting going to cause problems for him domestically? And where's this engagement with Obama going? You know, is it going to go in the way of North Korea 2.0, or is it likely to be how the U.S. engaged with China back in the '70s and bringing it around?

MR. GREEN: It's interesting you mentioned the China analogy because Sen. Webb and others have tried to use that to say we need to engage Burma in order to, you know, balance China or to deal with the North Korean nuclear problem. And I think that's a bit of a stretch. The reality was, in 1972, there was a compelling strategic reason for both the U.S. and China to get closer, to deal with the Soviet Union; frankly, Burma's not that important.

And as to the question of whether President Obama will get some heat domestically, absolutely, because Than Shwe has a history and the press, especially on the right, is going to start looking into who this guy is. And he's not a very – well, it's very hard to find anyone to talk to in Burma who's a very appealing character, but he has a particular history of repression that will get the press onboard.

I think that it's a good thing the administration's trying this engagement strategy. I thought Kurt Campbell framed it perfectly when he came out of the meeting. He was not trying to present a great breakthrough; he wasn't overly optimistic; he said it's an exploration. And I think they're handling it right. He's been very clear that we're not going to lift sanctions. One of the challenges they're going to have is that the engagement process is creating the appearance that we are going to lift sanctions.

And it also is a delicate problem because, even as we've done this policy review and engaged the junta, their behavior hasn't gotten better. Yes, Aung Suu Kyi got out to see Campbell, but meanwhile 50 journalists and students were arrested, major military offensives against three or four of the ethnic minorities. So the situation on the ground is continuing to get worse, and sooner or later, I think they're going to have to get some results to continue this. And Kurt Campbell's very sober tone suggests they're not confident that they're going to get those, but they're willing to explore it, which is probably about the right tone for now.

MR. BOWER: Yeah, and I would just add – I agree with that – and I think the other thing is that the Burmese – the onus should be put back on them to take the next steps to show that they're willing to go part of the way. And I think if there's good coordination between the Americans and some of the other – the friends in ASEAN – remember, ASEAN comprises two treaty allies: Thailand and the Philippines. Singapore's relationship with the United States has sort of been over and above treaty ally, you know, even though they're not one.

I think we may be able to – you know, in my wildest dreams about the possible success of the U.S.-ASEAN summit, maybe there could be some coordination and some useful, constructive pressure on the Burmese to come out with announcements on how they're going to

structure these elections in 2010 in a way that shows that they're willing to – that they got the message and they're willing to allow some space.

Am I optimistic about that? Not really. But I do agree with Mike that Kurt handled it very well and it's about as, I think – you know, as we step down the engagement process, you know, we should be hopeful and watch closely. That's about all we can do.

Q: Tricia Zengerly (sp) from Reuters. There have been a few references to President Obama having domestic chips to expend. And can you talk at all, in a broader context, to presidential politics? Presidents always have a lot of issues on their plate, obviously. Is this a particularly bad time, or is it – could you put it in that context – how it compares to what other presidents have faced at home when they've tried to pursue a diplomatic agenda? Thanks.

MR. SCHRAGE: (Inaudible, off mike) – deserves a lot of credit for taking out the time to go to Asia. And a lot of the presidency is about decisions – about how much – as you said, there's always a world of different things out there that you can devote your time to. I think what's different at this point in time is we're facing the wake of, you know, the greatest economic crisis since the Great Depression. So you've really had a riveting, both in the United States and globally, on domestic issues – jobs, economic problems.

And the great risk is that nations could turn inward, you know, despite all the positive steps the Obama administration has made in terms of engagement, but worry about domestic economic problems and not build the security or economic foundations for global growth. So I give him a lot of credit on that front.

I think what they've also got to be able to do, though, is translate this action also into messaging so that it's translated in to the American people so that they understand the importance of engagement, the importance of open markets, the importance of trade, and they just don't focus on things like the trade disputes or tires and see it as a win-lose situation, globally.

Q: But what about in terms of his actually being hindered in being able to come home with anything – you know, the deliverables we've been talking about?

MR. BOWER: I'll take some ownership of this. I think I said chips. You know, and where I got that from was actually talking with policymakers inside the administration who say, look, we have to – we have a certain amount of bandwidth, you know – White House political juice, chips, whatever you call it – and our top priority is health care.

And you are asking – you know, not you, but the Asian friends are asking us to get out there and say something serious about Doha and WTO and could the Americans give the signal on the Trans-Pacific Partnership – the TPP – which is sort of a precursor to an ASEAN – a free-trade area for the Asia-Pacific – or the F-T-A-A-P or FTAAP.

And I think that's what our hosts in Singapore would love to see us do. And I think the answer has quietly been, we are working on the messaging that Steve just talked about, but we

might not be ready to unfurl that, you know, type of commitment in November in Singapore. And so this is what I meant when I was talking about chips. You – they just can't take it onboard and deliver that, politically.

Q: Anne Davies from the Sydney Morning Herald. First of all, do you think there will be any discussion or statements about some of the Chinese comments about the U.S. dollar as a reserve currency, and sort of the broader issue of the massive trade imbalance between the two nations? And the other thing is, do you think there will be any opportunities to discuss an East Asian security architecture as proposed by both Australia and Japan, or whether that's going to be one of those things that's just in the "too hard" basket for this trip?

MR. GREEN: Can I take a first crack? We probably should have pointed out that the China trip is being preceded by, of course, the strategic and economic dialogue with Secretary of State Clinton and Secretary of the Treasury Geithner, and also the Joint Committee on Commerce and Trade that convened recently. So there's some cabinet-level work that's really gone into the U.S.-China economic relationship.

And out of that, you'll see, I think, some themes about rebalancing the U.S.-China relationship to have greater internal demand from China. And I think the administration will portray that as an important mission because it will mean more exports and more jobs. They're not going to get any really concrete deliverables on exchange rates or anything else.

In fact, the Chinese are loath to make concessions on things like exchange rates for a summit. They're very different from Japan, Korea or other relationships, where the summits are the pressure that leads to agreements. In China's case, the last thing they want to show their domestic audience is that they've caved to U.S. pressure on something as sensitive as the convertibility of the renminbi or the value of the renminbi.

You know, the administration is fully aware of these debates in the region. They've been very sensitive about this proposal from Prime Minister Hatoyama for an East Asian community, which surprised me, because in fact, Prime Minister Koizumi already agreed to do this in 2005 at a summit in ASEAN. It's not particularly new and it's not particularly concrete. There are a lot of, you know, different views about values and economic development in Asia. It's not the EU; it's not NAFTA; it's a very long-term thing. But they are quite sensitive to it in the administration, it's clear.

I would hope that in Japan, which is the first stop, they can set a positive tone by agreeing that the U.S. and Japan share a common vision for an open and inclusive regional integration. That will require Prime Minister Hatoyama to move away from some of his previous rhetoric about using the East Asian community to balance the U.S. or balance the Anglo-American economic model – this kind of populist rhetoric. And it will require President Obama to then start answering questions about what the U.S. will do about it in terms of trade policy. But that would be the best outcome, if they showed that this is a shared vision.

And I think Kevin Rudd's original proposal for an Asia-Pacific community, which frankly had a lot of people in Washington scratching their heads at first, now is, I think, viewed

as a pretty positive and helpful contribution to the debate because that clearly is a trans-Pacific concept, whatever it turns out to be, that would counter the more narrow definitions of the East Asia community.

MS. GLASER: I think your question was whether the Chinese would say something about the role of the U.S. dollar, right? And I think on exchange rates, certainly, I would agree with Mike. I mean, we've had the head of the Chinese central bank come out and say something about moving towards using the SDRs – the international reserve currency – rather than the dollar.

I think the Chinese like to talk about this in, perhaps, select settings and are more apt to raise this with their colleagues in the BRICs – you know, Brazil, Russia and India – than they are likely to raise this in a conversation with the United States. But I think that the Chinese see this as a very long-term conversation, in any case. I don't think that they're expecting, nor necessarily want, the U.S. to stop being the reserve currency anytime in the very near future. But they want to start this narrative, and I think that they prefer to do it with other countries, and not really with the U.S.

MR. SCHRAGE: I think you really put your finger on what may be one of the most critical issues that we're going to have in terms of trade tensions going forward, because I really think currency could be the terrain on which 21st-century trade conflicts or economic conflicts are really fought. You've seen this – you know, prior to the economic crisis, the big push was that China was undervaluing the yuan renminbi and flooding the U.S. market with goods.

Now, you're seeing this incredible tension in China, Russia, elsewhere that the United States is going to do what great powers going back to Rome have done when they've got these uncontrollable deficits and no fiscal discipline, that they start printing money or flooding liquidity to devalue things. And there's no mechanism to balance this, as in the WTO. There's no real agreed-upon framework or how you would control something if it got out of control in this area.

So you're seeing the G-20 and others flag these issues, but you're continuing to see this tension with no real resolution. I'd also point out that Bonnie's group also came out with a report on this – on the reserve currency. So I don't think you're going to see – you know, the dollar is not going to go away as a reserve currency anywhere at least in the next, probably, 10 years.

But you're seeing countries like China buy up commodities, buy up land, diversify. You saw India buy a huge chunk of gold. And this is all kind of a – maybe not a vote of no confidence, but a vote of real fear that the United States has got deficits approaching World War II levels and we've got no real plan of how we're going to back ourselves out of it. So I think this is going to be a real question that's going to permeate in the background of a lot of these discussions, even if it's not in the front of the agenda.

Q: (Off mike.)

MS. GLASER: I will speak to that from the perspective of China's president. I think the Chinese have some concerns about whether this president is going to say one thing and do another. President Obama told Hu Jintao very early on that he would not pursue protectionist policies and then slapped tariffs on China's trade imports.

The Chinese had a relationship with President Bush that they came to attach a great deal of value and importance to. It was a relationship of a very high level of credibility. They did not always like what President Bush told them, but when President Bush said he was going to do something, he followed through. When he said he was going to give the Congressional Medal of Honor to the Dalai Lama, he did that.

And in the next sentence, he also said, and I'm going to attend the opening ceremony at the Olympics in Beijing. And despite a great deal of pressure both at home and abroad, he never wavered from that commitment. And President Bush also made some important commitments on managing the relationship with Taiwan with then-President Chen Shui-bian pursuing what was perceived by many to be pro-independence policies.

So there's a very high level of credibility in that relationship, which was very important because Hu Jintao knew that what he heard, he could take back to the other members of the standing committee, or the politburo, and he could take that to the bank. He could count on it. And I think that the Chinese have some concerns, going forward, about whether they're going to have that level of credibility with President Obama.

MR. GREEN: Prime Minister Hatoyama won his election landslide on August 30th of this year, in part because the change theme that President Obama demonstrated in the U.S. really resonated with a Japanese public that was fed up with the LDP. So when Hatoyama says he won because of Obama's example, he really means it. And in fact, in Japan, the president has better numbers than Hatoyama. So a good relationship with him is important.

I have heard from Asian diplomats and also from friends in the White House that one of the biggest contrasts between President Bush's approach to these summits and President Obama's is that President Bush treated it sort of like a National Governors Association meeting. He joked; he asked about domestic politics; they talked about politics a lot. It was, in some ways, more personal. President Bush would make a lot of audibles in the summits – he wouldn't raise some issues if he didn't think it was right; he'd raise other issues if they came up. It was a bit less scripted, which, if you're on the NSC staff, is always fun. (Laughter.)

But frankly, he usually called it right and he usually decided this is not the right time to raise this issue. What I hear about President Obama is, he's very lawyerly and very lawyer-like and he very scrupulously reads his talking points and articulates things in the complete sentences they're written in, whereas President Bush would mangle or shorten or add colorful anecdotes. And frankly, people like that. I mean, I think most of his Asian counterparts really likes his style.

And as Bonnie said, his style was, when I make a commitment, I'm going to keep it – you know, my word is my bond and you scratch my back, I'll scratch yours – you know, a

governor's way of looking at things. And frankly, that's how a lot of Asian leaders work. So it was a pretty good chemistry.

With President Obama, though, he's popular – he's more popular in most of these countries than the leaders are themselves – so they treat him carefully and he's a rock star and they're fascinated, I think. And the relationship is important. But he does go through all of the issues, apparently. There's no cutting corners, is what I've heard – that he goes through the talking points prepared by the staff and he reads his brief very carefully is the general sense that I get.

MR. SCHWARTZ: So thank you all so much for coming today. We'll have a transcript up later at csis.org, and I will be mailing it out to you all individually as well. Thanks very much. And just know that our colleagues will be available while you're on the trip or during the trip. We also have Victor Cha and Charles Freeman, who are not with us today. But we'll be making them available as well. Thanks very much.

(END)